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the navigator

Directions and Trends in Higher Education Policy

chepa
Center for Higher Education Policy Analysis

the map

USC ROSSIER SCHOOL OF EDUCATION

Paving a New Path to and Through Postsecondary Education

Individual Development Accounts (IDAs)

We have all become familiar with the increasing financial costs to attending higher education, and the mounting debt loads students are expected to acquire. This situation has become more severe in the last two decades as policymakers at the state and federal levels have shifted their financial commitments from scholarships to loans. Two-thirds of undergraduate students take out loans to pay for college. The possibility that government will again provide large numbers of need-based scholarships is becoming increasingly unlikely. This situation impacts low- and moderate-income families the most. Educational leaders need to look for alternative solutions for low-income students.

This challenge was the focus of a chance conversation between two friends from different fields--one a higher education faculty member (Adrianna Kezar) and the other working with non-profits through the U.S. Department of Health and Human Services (Vikki Frank)--both committed to helping low-income populations. With support from the Lumina Foundation, this chat led to a national research project: Paving a New Path to and Through Postsecondary Education: Individual Development Accounts. The research is aimed to bridge two worlds - postsecondary education and the non-profits that offer IDAs - and explore how together they can help low-income students enroll and stay in higher education. We believe IDAs are part of the search for alternatives as each community finds solutions to providing access to postsecondary education for its youth.

So what are IDAs and what do IDAs have to do with postsecondary education? IDAs are matched savings accounts that may be state, federally and/or privately supported. An IDA is a financial tool to encourage low-income families to save towards and acquire an appreciating asset, such as homeownership, entrepreneurship and post-secondary education. IDAs were introduced by Michael Sherraden at the Center for Social Development who suggested that a lack of assets, not just income, keeps the poor in a cycle of poverty. Over the years, his research and that of others has shown that poor families can save and build assets if provided institutional supports parallel to incentives available to middle and upper class families - supports like 401Ks that provide employer match and tax incentives. IDAs took on national recognition when congress funded the American Dream Demonstration and then the Assets for Independence Act of 1998. The Corporation for Enterprise Development (CFED) estimates that there are between 500 and 1,000 IDA initiatives nationwide offering more than 30,000 IDAs.

This is how an IDA works: a low-income family opens an IDA account with a participating organization and starts saving monthly. The family saves a total of $1,000 to $2,000 over 2-3 years which is matched by the organization, as much as $4,000-$8,000 dollars per student (at a match rate of 1:1, 2:1, or even as high as 8:1). The match funds are paid directly to the educational institution. IDA funds can be used to cover tuition, books, computers and other required fees.

Almost all IDAs are coupled with financial literacy education, training to acquire the asset, and critical case management. Therefore, IDAs offer the promise of not just scholarship funds, but the opportunity to foster critical new life skills and behaviors with respect to financial management, credit and debt -- skills that are crucial to the financial

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compass

One of the action-research projects that we undertake in the Center is a mentoring program - I AM - in the local schools with 12th graders. As any parent knows, applying to college is a confusing array of activities that takes up a great deal of senior year. The under-taking is even more confusing for low-income youth who are in over-crowded schools and have little idea what they need to do to navigate the application and financial aid process.

About three years ago one of the students I worked with had gotten admitted to Stanford and was going to get a full scholarship. He was excited. His mom was excited. I was excited. As we drove home from "college night" he asked me, "how will the money work?" I said I thought they would subtract the tuition and each term he would get a check for living expenses. "Where do I put it," he asked. "Do I cash it? It seems like a lot of money to have in my room." I thought he was joking at first and then I realized, "You don't have a bank account, do you?" I subsequently learned he didn't have a credit card, or a driver's license. As he laughingly pointed out to me, "Why would I have those?"

After we opened his bank account and got him a driver's license there were myriad other issues that most college-bound students from the middle and upper classes already have had figured out for them. How to manage a semester's worth of money when you've never had that before, how to read credit card "offers" when you've never had a credit card, how to learn the deadlines for reapplying for scholarships and make sure they get filled out correctly, are examples of activities that demand their own kind of cultural literacy. Low income youth have to learn how to manage these sorts of undertakings in addition to the typical responsibilities that all new college students face.

Their need for knowledge of college culture makes their transition to college doubly challenging. The additional challenges become obstacles for low-income students to stay in college and graduate. We recognize the need for these students to have the necessary knowledge and support to overcome these obstacles.

In effect, low-income students have to have a crash course in college-going in their senior year in high school and through the first semester of college, whereas their well-off counterparts have been preparing for college all of their lives. Another action-research project that we undertake in the Center is SummerTime - an intensive writing program for college-bound youth. One component of the program is "College Knowledge," where we talk to the students about what to expect when they get to their institution. We also meet with students one-on-one to answer specific questions they may have. The questions frequently revolve around financial aid. Even though the program takes place in July and all of them have

been accepted to a four-year institution, a majority of students still have financial aid issues that have not been answered.

In this issue we focus on a project that Adrianna Kezar and her colleagues are doing that provides one critical form of cultural literacy and at the same time helps the poor save for college. One happy ending, or perhaps interlude, is that my student who didn't have a bank account is now about to complete his sophomore year with a 4.0 grade point average in engineering. If as a society we want to remain competitive in a global economy, we have to find creative strategies such as IDA's to help students gain access to, and complete, a college degree.

--Bill Tierney

An IDA Practitioner's Perspective

The Denver United Way (DUW) has become a national leader and model for the way nonprofits can partner with postsecondary institutions to offer IDAs. DUW has memorandums of agreement with most local colleges and universities. Postsecondary institutions transition the saver to student through help with the FAFSA form, academic advising, and providing feedback and data to the United Way. DUW is particularly proud of their partnership with Metropolitan State College of Denver that provides case management and support to students with their education plans.

Regarding the program, Gaile Weible of the Denver United Way states:

"We knew that creating partnerships with educational institutions, particularly community colleges, would be essential for making sure that students were retained. At two of our colleges, they offer emergency grants and funding for our IDA students who run into trouble. The leadership of these colleges really understands the students we are trying to serve."

Other partners also play a critical role. In addition to postsecondary partners, the United Way model involves employers and other non-profits - a sturdy "four-legged stool." DUW teams up with large employers that offer tuition benefits to employees. Employers identify eligible employees, establish the savings accounts, deduct employee savings from paychecks, and provide the match funds. The DUW itself is responsible for obtaining the federal funding, coordinating the partnerships, and helping with recruitment and account set-up. The United Way also provides gap funding between the times the colleges need tuition paid and the employer tuition reimbursement money becomes available. This timing obstacle was preventing many employees from taking advantage of employer tuition benefits.

Gaile credits their institutional partnerships for establishing a long-term and sustainable model to offer education IDAs. Gaile explains, "Most IDA nonprofits are focused on homeownership and micro enterprise. We wanted to offer education IDAs to a large number of savers. After a few years of building our model, we're ready to expand to 3,000 savers in the next five years."

Paving a New Path to and through

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independence of students, graduates and working adults. In this way, IDAs lead to lifetime habits of goal-setting, saving, financial management, and asset building that can break the cycle of poverty.

Almost one-third of IDA savers nationally have used their savings to purchase education for themselves or a family member. However, in many cases education IDAs were a substitute goal in response to diminishing affordable housing stocks. Today, more IDA practitioners are marketing education IDAs and savers are choosing education as their primary goal. While education IDAs are growing in popularity among IDA practitioners and savers, IDAs continue to remain unfamiliar to most leaders in higher education.

Why don't education professionals know more about IDAs? IDA legislation targets community-based non-profit organizations to receive federal funding and leverage it with state, foundation and corporate dollars. The non-profits are required to partner with a bank to hold the IDA deposits. They often turn to non-profit colleagues such as homeownership, microenterprise, youth, and/or workforce development organizations to help with outreach, training and case management. Postsecondary institutions have historically only learned about IDAs when community organizations contacted their financial aid and/or registrar office for assistance with outreach, financial aid training, and/or confirmation of funds spent. With increased practitioner focus on proactively offering education IDAs, institutionalized partnerships with higher education institutions hold the promise of advancing access and success in postsecondary education in important ways.

This edition of the Navigator is dedicated to introducing IDAs to the higher education community. We hope to make IDAs more comprehensible by showcasing the experience of an IDA education saver, describing a strong postsecondary partnership with an IDA initiative, and highlighting key facts about asset development and financial literacy. We also offer the knowledge and opinions of experts in asset development and postsecondary education regarding the promise and challenge of expanding IDAs for postsecondary education.

We will also use this issue to provide an overview of our research project. This project hopes to expand the knowledge and use of IDAs at post-secondary educational institutions as a strategy for increasing access to, and retention in, higher education for low-income students. The two main goals of the project are to 1) increase IDA use for education purposes; and 2) increase higher education's involvement with IDAs. The study has a practitioner focus of improving program implementation of education IDAs by examining opportunities and challenges to integrating higher education institutions into IDA practice. Three different research strategies will be used to accomplish this goal: a) interviews with IDA practitioners across the country to understand current models of education IDAs and university partnerships; b) case studies of promising partnerships between IDA practitioners and postsecondary institutions identified through our interviews; and c) focus groups bringing together IDA and university leaders to share various models, challenges, and practices, obtain feedback on ways to face current challenges, and expand education IDAs through postsecondary partnerships.

To learn more about education IDAs, explore the websites on page 3 of this issue. Our project website at www.usc.edu/dept/chepa/accounts will post progress updates as well as upcoming articles and tools being developed through the project. Also, look for us at national conferences. We will be coordinating focus groups, disseminating research findings and sharing information at key association conferences including the National Association for Student Financial Aid Administrators and the Council for Opportunity in Education. Finally, please contact us to learn more, share ideas and feedback, or invite us to participate at conferences or events you are hosting.

Many thanks for your interest in this project. And, a very special thanks to Jill Wohlford and the Lumina Foundation for their support of this project.

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Vikki Frank is the Executive Director of Credit Builders Alliance. She can be reached at vikki@creditbuildersalliance.org

On the Web

http://www.acf.hhs.gov/assetbuilding/

The Administration for Children and Families (ACF), within the Department of Health and Human Services (HHS) is responsible for federal programs that promote the economic and social well-being of families, children, individuals, and communities. One current goal is to assist low-income people with building their assets,as an anti-poverty strategy that helps low-income people move toward greater self-sufficiency.

http://www.idanetwork.org

This site exists to provide basic information on starting and operating an IDA program, resources and support services available to IDA practitioners, federal policy that will take IDAs to scale, new research on IDAs and asset building, and events for the entire field.

http://gwbweb.wustl.edu/csd/publications/index.htm

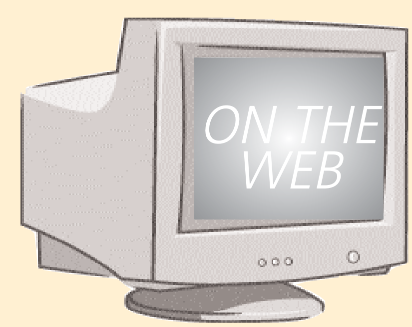
The Center for Social Development (CSD) is a unit of the George Warren Brown School of Social Work (GWB) at Washington University in St. Louis. Focusing on development and building capacities of individuals, families, and communities, in contrast to a more traditional social services focus on maintenance and problem solving, CSD has a multipurpose agenda encompassing social theory, research, policy innovation, projects in the community, and teaching. CSD projects connect academic and applied interests and build bridges across public, non-profit, and private sectors.

http://www.ticas.org/

TTICAS works to make higher education more available and affordable for people of all backgrounds. They promote research-based program design and responsible stewardship of tax dollars and of charitable giving. TICAS is a nonpartisan, not-for-profit organization.

http://www.collegeaccess.org/NCAN/

The mission of the National College Access Network (NCAN) is to improve access to and success in postsecondary education for disadvantaged, underrepresented, and first-generation students by supporting a network of state and local college access programs that provide counseling, financial assistance, and sharing best practices among the network; providing leadership and technical assistance; and helping establish new college access programs.



SummerTIME Update

In July 2006, CHEPA hosted its 5th annual SummerTIME writing program. The program serves low-income, high achieving students of color who attend local urban schools and have been admitted to a selective four year college or university. The goals of SummerTIME are two-fold. First, the program focuses on improving college level writing skills. Second, the program provides workshops on issues that are of interest to first generation college students, such as how to interact with professors, as well as note-taking and time management skills.

We have been pleased to hear about the success of our program in the eyes of the 2006 cohort, who have been checking in from their new colleges and universities across the country, letting us know about their coursework and first experiences with college life.

Eileen Huang emailed in from her new residence hall at Yale University to share these thoughts on her experience with us: "SummerTIME made me feel more comfortable speaking in class and to professors. I realized a lot of strategies introduced in my English class were already covered by [the program]."

Katherine Canales, a University of California, Santa Cruz freshman, wrote that SummerTIME: "has made my life easier by providing me with tips in writing my essays and getting organized. It has also given me tips in scheduling my time and making sure I get everything done."

Dimitri Bochin shared these thoughts from his new apartment near the University of California, Davis: "The SummerTIME program has helped me very much. I was very confident my first few weeks, unlike the others who seemed very lost. So at this time, I'd like to thank everyone in the SummerTIME program from the bottom of my heart. If it weren't for all you staff, I think I would have left town the first week I was here!"

In early January of this year, we hosted a winter gathering for our students from our 2005 and 2006 cohorts and included a short time management workshop and a few time management related work tools. The SummerTIME staff and CHEPA look forward to tracking the progress of the 2005 and 2006 cohorts over the coming years.

For the summer of 2007, we are expanding the program to include 90 graduating seniors and 30 juniors. Each group will receive instruction geared to prepare them for college-level writing. Curriculum will be overseen by a Director of Instruction, a position that we are adding this year in order to encourage consistency among classes, both in teaching and in student evaluation. Seniors who successfully complete the program will be eligible for scholarships to assist with their college transitions.

SummerTIME 2007 will be subject to our most thorough evaluation yet, which will include both quantitative and qualitative components that capture student achievement, college knowledge learned and applied, and effectiveness of instruction.

Kristin M. Venegas is Assistant Professor and Director of the Master's Program at the Rossier School of Education and Research Associate at the Center for Higher Education Policy Analysis at the University of Southern California.

In Fact

- 74% of parents feel unprepared to teach their kids about personal finance. (FleetBoston survey, 2003)
- Only 7 states require students to take personal finance for graduation. Only 15 states require an economics course for graduation. (NCEE Survey of the States, March 2005)
- Two thirds of undergraduate students take out loans to pay for college. (TICAS, 2005)
- Undergraduate students carry an average of three credit cards and graduate with an average of $20,402 in combined education loans and credit cards balances. (Nellie Mae survey, 2002)
- Students double their average credit card debt and triple the number of credit cards in their wallets from the time they arrive on campus until graduation. (Nellie Mae survey, 2002)
- The average indebted 25-34 year old uses 25% of their income to pay off existing debt--including student loans and credit card debt. (www.econ4u.com)
- Of Pell Grant recipients who got their Bachelor's degrees in 2004, 88.5% had student loans, compared to 51.7% of non-Pell Grant recipients. (TICAS, 2005)
- In California, the average debt for graduates of public universities is $12,542 and $21,596 for graduates of private, nonprofit colleges. (Project on Student Debt, 2005)

Reaching Out to Local High Schools to Increase Access

In its second year, the Increasing Access via Mentoring (I AM) Program is providing 140 students from nine LAUSD high schools near and around USC with assistance on their college and financial aid applications. During the Fall 2006 semester, 95 USC graduate and undergraduate students as well as faculty and staff made monthly visits to their assigned underrepresented, 1st generation mentees at their respective high schools. Mentors ensure that each student meets important deadlines and has an opportunity to receive answers to questions about the high school to college transition. Currently several mentees have received admissions notices from campuses they applied to and will continue to receive these through April. During the Spring 2007 semester, the mentors will play a critical role in helping their students apply for financial aid and make informed decisions about the campus they choose to attend. At the end of the mentoring program, each student is then invited to apply to the four-week SummerTIME Writing Program to be held at USC in July.

Complementing the mentoring program, CHEPA also meets with the nine college counselors from the schools involved in this project. Once a semester, CHEPA convenes a College Counselor

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Fast Forward

FEBRUARY

Academic Chairpersons Conference, Orlando, FL, February 7-9, 2007

William Tierney
" *The Dilemma of Strategic Change: Ensuring Excellence in Academe*

New Mexico Higher Education Assesment and Retention Conference, Albuquerque, NM, February 22, 2007

William Tierney
" *Access to and Retention in College: What are the Necessary Skills?*

MARCH

Annual Conference, Student Affairs Administration in Higher Education, Orlando, FL, March 31- April 4, 2007

Douglas Burleson
" *How has Technology Impacted the Coming Out Process of Gay Males?*

APRIL

Annual Meeting, American Educational Research Association, Chicago, IL April 9- April 13, 2007

Ron Hallett and Kristan Venegas
" *Is Increased Capacity Enough? Advanced Placement Courses, Quality, and Success in Low-Income Urban Schools.*
" *When a Group Presentation Isn't Enough: The Importance of One-on-One Financial Aid Advising for Low-Income, Urban, College-Bound Students.*

Darnell Cole
" *Eroding African American Students' Intellectual Self-Concept: An Examination of Interracial Interactions and Student-Faculty Interactions*
" *Constructive Criticism: The Role of Faculty Feedback on Minority Students' Educational Gains*

Margaret Sallee
" *The Impact of Peers on College Preparation*

William Tierney, Adrianna Kezar, Margaret Sallee, and Jaime Lester
" *Improving Early Intervention for College Programs*

Adrianna Kezar
" *Collaboration with schools to improve college going.*
" *Understanding leadership strategies for addressing the politics of diversity*

Adrianna Kezar, R. Carducci, M. Contreas-McGavin Jaime Lester, and T. Bertram-Gallant
" *Faculty Grassroots leadership in higher education: Making the invisible visible*

Brianna Kennedy
" *Crafting an internal evaluation for out-of-school time: Applying theory to university transition programs*
" *Capturing student voice: Using focus groups to increase access*
" *Social capital and college access: A bridge so far?*

Mari Luna De La Rosa
" *Breaking New Ground: Doing Policy Research on Access and Financial Aid of Low-Income Youth*

Zoë Blumberg Corwin
" *Foster Youth and Freshman Year: Exploring the Role of Social Support Networks on College Persistence*
" *Social capital in flux: How involuntary mobility affects the social networks of college-bound foster youth*

Daniel Park, Vicki Park, and Ally Kuzin
" *The influence of social capital on parental involvement: How middle-class Chinese immigrant parents construct and participate in schooling*

K .Venegas and P. Villarreal (April 2007).
" *Financial Aid Online: Practices and Perceptions of Low-Income, Urban, Latino High School Students.*

One Step Ahead

For Bernetrice Parker, going to college was always part of the plan. "My mom didn't go to college," she says, "but I was a good student." Before she even picked a school, she started saving at the age of 16 in an Individual Development Account (IDA) through Urban Alliance Foundation, a Washington, D.C. based youth program, in partnership with the Capital Area Asset Building Corporation (CAAB). Urban Alliance provided financial literacy and post-high school education, and CAAB matched her $2 for every $1 she saved. School came easily to her, but saving is where she really had to work.

"I wasn't always able to do things I wanted to do, because I knew I had to set money aside. It made me responsible, more mature."

In the end, she saved $1,000 of her own money and came away with $3000. Although scholarships paid for most of her costs, the IDA helped pay for tuition and books, diminishing the need for loans. "It was an investment," she says, now about to graduate from Temple University in Philadelphia. And especially when it comes to saving and staying out of debt, she's still smarter than most.

Congratulations to Dr. Karri Holley, the first runner up for the AERA-Division J 2007 Dissertation of the Year Award for her dissertation, The Cultural Construction of Interdisciplinarity: Doctoral Student Socialization in an Interdisciplinary Neuroscience Program. Dr. Holley is a former research assistant at CHEPA and currently is an assistant professor in higher education administration at the University of Alabama.

Reaching Out to Local High Schools

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Advisory Board where each of the college counselors shares issues which are of importance to them and their students. This in turn allows CHEPA to help address some of the needs of the school counseling community. To this end, CHEPA participated in the annual LAUSD Counselor Conference held at USC on March 14th. CHEPA's Director of Outreach in collaboration with several LAUSD college counselors co-facilitated two workshops on assisting 1st generation students applying to private institutions. In addition, CHEPA research assistants disseminated copies to those in attendance of the Center's monograph entitled Creating Helping Environments for College-Going: The CHEPA CHEC-List for Counselors.

Victor Garcia is the Director of Outreach and Engagement at the Center for Higher Education Policy Analysis at the University of Southern California.

Possible Futures of Education IDAs

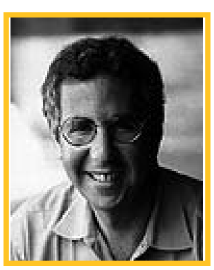
In this issue, we asked four scholars to define what role can and should postsecondary institutions play in IDAs and financial literacy among students?

Edward P. St. John
Professor of Higher Education
University of Michigan

Matched savings accounts (MSA) provide colleges a means of encouraging savings for college and for reaching out to improve diversity. These savings plans can be viewed as an integral part of the preparation and encouragement process. How cam public universities use MSA as part of the process of reaching out to underrepresented students?

With the demise of affirmative action in California, Washington, and Michigan, it is important to consider how to reach out to underrepresented students in high schools. The following strategies are crucial: 1)form partnerships with high schools; 2)provide encouragement for students to prepare for college; 3)support teachers who teach advanced subjects; 4) provide access to information on college costs.

The implementation of matched savings accounts utilizes all of the above strategies. That is why MSAs could be an integral part of a comprehensive partnership between colleges and school districts. Students and their parents can be encouraged to get realistic information about college costs and student aid. Some student contribution to college costs is necessary, even when financial need is fully met. MSA can be used as a strategy for communicating about college costs. When communicating with low-income students about savings, it is important to emphasize that no amount of savings is too small and that no one should be denied access because their financial resources are modest. MSAs provide an integral tool to encouraging underrepresented youth that they can afford college and be successful.



Bob Friedman
Chair of CFED, organizer of the American Dream Demonstration and SEED Initiatives, and a leader in the broader asset-building movement

As I sit to write this, I think of the disadvantaged teens working at the ballpark for Juma Ventures saving $50 a month to go to college; the welfare mothers of LIFETIME who fight for the right to go to college while on welfare, recognizing that it is one of the few paths to a liveable wage; the families of Harlem Children's Zone focused on going to Stanford, understanding that the first child of a family to attend college changes the pattern for every succeeding generation; the immigrant parents in San Jose and Austin who save a percentage of their meager income not only for homes for themselves, but for educations for their children; the blue collar employees of private companies enrolled in the Council for Adult and Experiential Learning's Lifetime Learning Account pilot.

There is so much universities and colleges could do to grow and shape the promising emerging policy and practice of matched savings accounts for higher education and technical training, and so much reason to do so. In particular, matched savings accounts for postsecondary education, will be an essential element of opening college opportunity to disadvantaged families and communities of color: matched savings accounts started as early as birth can implant the expectation of going to college, spread understanding of the costs and returns of higher education, and, indeed, enable low-income families to save for and afford college. University backed matched accounts can also benefit employees and the surrounding community, and leverage private savings for postsecondary education.

Universities and colleges could contribute to the burgeoning asset-building field by 1) supporting the development and passage of inclusive children's development accounts (like those operating in the United Kingdom); 2) developing and supporting matched savings programs for employees, students and future students, including consideration of converting some portion of scholarship funds to matched savings; 3) providing financial education to students, including outreach programs on the real costs and returns of higher learning; 4) conducting research on asset-building practice, policy and financial systems.

Sandy Baum
Senior Policy Analyst
The College Board
Skidmore College Professor

Colleges and universities can facilitate the expansion of IDAs designed to increase participation in higher education by low-income students. This activity could provide significant benefits to the institutions themselves, in addition to strengthening the contributions they make to their communities.

Colleges and universities employ a wide range of individuals with a wide range of educational backgrounds, responsibilities, and income levels. A significant portion of the staff serving in maintenance, food service, and other critical community functions have no college experience and earn wages that make it next to impossible for them to finance higher education for their children without considerable assistance. These workers could benefit tremendously from an employer-provided savings account with matching funds as part of their benefit packages. People who do not save on their own are frequently able to put money aside when payroll deductions make saving the default choice. If the funds are matched by their employer, they are even more likely to accumulate significant funds.

If, as part of their IDA programs, colleges provide financial literacy training and information about the benefits of higher education and the financial aid available to help fund it, they can significantly increase the college participation rates of their employees' dependents. Low-wage work in an environment populated by privileged young college students can be an alienating experience. Creating options for these employees to provide opportunities to their children that they themselves have not enjoyed has the potential to improve morale and a develop a sense of commitment to the institution.

Employees need not be the only beneficiaries of IDAs sponsored by institutions. Colleges and universities have both a responsibility for, and an interest in, improving educational opportunities for low-income students in the surrounding community. This type of program can both improve relations between the privileged university community and those outside the university gates, and increase socioeconomic diversity on campus. The opportunity to engage young people in financial literacy education and provide them with information about applying for admission and financial aid means that the dollars devoted to the savings accounts will buy much more than a financial asset. An aspect of informing low-income students and families about financial aid availability and processes that is particularly pertinent to the IDA effort is the relevance of assets for the determination of aid eligibility. No asset of a truly low-income family will reduce the aid they are eligible for and it is important that they understand this reality early on so they will not be discouraged from saving.

As the IDA movement expands in this country and is more frequently directed towards the financing of college education, colleges and universities should not be left behind in this promising route to narrowing educational opportunities.

Robert Shireman
President
The Institute for College Access and Success

Whatever their socioeconomic background, most parents want their children to go to college after graduating from high school. But as high school graduation nears, financial concerns can make that aspiration seem unrealistic or like something that will need to be postponed. Hopes are downgraded, and both the child and our nation are worse off as a result.

Early commitments to financial aid have been shown to play a role in maintaining college goals and increasing enrollment in postsecondary education. The impact of IDAs focused on education could be even stronger. Even if the amount contributed by the family is small - as it must be if the family is low-income - they will feel as if they have already made a down payment. Further, they will see that small investments grow both with matching funds (preferably at least a double match) as well as interest over time shown in regular account statements.

The potential is great, and well worth testing and evaluating. I would note a few cautions, too. For parents, retirement savings should not be sacrificed in favor of education savings. Second, attention should be paid to those who do not opt into the IDA program, both to examine how to encourage their participation, and to see if their own knowledge of their non-participation depresses their own sense that college is achievable financially. Third, the savings accounts should be constructed so as not to reduce the student's eligibility for Pell and other grants.

Financial Education Can Help Students Graduate as Financially Stable Adults

Going to college, university or vocational school is a time of much learning, change and personal growth. It is also a decisive moment in the financial lives of families. How does a student balance a budget of high expenses and less income? Is it worth taking out student loans? Do students understand the credit card terms offered to them? This "financial trifecta" - budget, debt and credit - has huge implications for millions of individuals in the U.S. weighing their ability to enroll in and stay in post-secondary education, and graduate as financially healthy adults.

A 2006 Financial Literacy Survey concluded that the majority of high school students are financially illiterate. A Teens & Money Survey in 2006 indicated that while teens clearly know how to spend money, they seem far less aware of how to budget their money. Numerous studies document the long-term economic benefits of higher education, yet close to half of students and adults underestimate the impact of a college degree on earnings. Only 20% of adults know that college graduates earn 70% more per year, on average, than high school-only graduates.

IDAs offer an opportunity for education institutions to think more broadly about their contribution to lifelong asset development and financial independence for their low-income students - and all students. Financial education, and not just luck, can help raise the odds that students graduate with a healthy financial status. Studies show that only 10 hours of financial education can help students manage their money better. A typical 10-hour IDA financial education course integrates lessons on budgeting, goal-setting, savings, banking, loans and debt, credit reports, credit cards, and long-term investing. Some excellent college and university programs do exist to teach students about managing personal finances, but they are few and far between. These programs do not begin to address the pressing need that still exists nationwide. Matched savings and financial education offer colleges a powerful tool to help students decrease debt burdens and build crucial new skills and life patterns with respect to financial management, credit and debt.

Selected CHEPA Publications

Kezar, A. (2007). Successful student engagement: Aligning and fostering institutional ethos. *About Campus, 3*(6),13-19.

Kezar, A. & Carducci, R. (2006). Cultivating revolutionary educational leaders: Translating emerging theories into action. *Journal of Leadership Development, 1*(2), 1-46.

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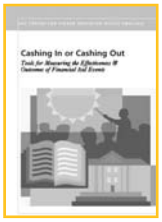

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