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By Adam Rust  
Community Reinvestment  
Association of North Carolina

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***Attaining the Dream:  
How Financial  
Resources Impact  
the Mission of North  
Carolina HBCUs***

**North Carolina  
Legislative Black Caucus Foundation  
2009 Education Scholarship Weekend  
June 19-20, 2009**

# **Attaining the Dream: How Financial Resources Impact the Mission of North Carolina's HBCUs**

By Adam Rust  
Community Reinvestment Association of North Carolina

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## EXECUTIVE SUMMARY

**Abstract:** The extension of educational opportunity to African-American students is an important goal that is ably achieved through the institutional leadership of North Carolina's ten Historically Black Colleges and Universities (HBCUs). The financial resources to meet that goal must be continually shepherded. Finance is an issue that should concern HBCU leaders, both as it impacts students and the institutions themselves. A high percentage of HBCU students use student loans to finance their education. The repayment of those loans is a matter of concern, both for the lifelong wealth building of graduates as well as fiduciary interests of the HBCUs. Some federal loan programs have been developed specifically for HBCUs, but they have some shortcomings. HBCUs must link student financial aid decisions within the framework of how they fulfill their missions.

Assets and endowments at North Carolina's HBCUs put them on unequal footing with their peer primarily white institutions ("PWIs").

- The median endowment per full-time-equivalent enrolled student is \$2,183 among the ten HBCUs. Among the 26 non-HBCU four year private not-for-profit or public institutions that offer at least a bachelor's degree, median endowment per FTE was \$17,579 in 2006.
- North Carolina's five private HBCUs recorded investment earnings that accounted for 4.8 percent of revenue in 2006. By comparison, private PWIs collected 15.7 percent of their revenues from investment earnings.
- By 2005-96, private PWIs offered institutional grant aid to more than three-quarters of their students. Only a little more than 2 in 5 of the students enrolled at a private HBCU received institutional grant aid.
- The lack of endowment resources tracks with a parallel inequality in fee service income.

HBCUs draw on a cohort of students that are more likely to include low-income families. These students need loans to finance school.

- There is a greater percentage of low-income students attending the ten HBCUs in North Carolina than at the 26 comparable primarily white institutions.
- More than two-thirds of students at private HBCUs in North Carolina received a Pell grant in 2004-05. Eight of North Carolina's top 13 schools, in terms of the percentage of students who use Pell grants, are HBCUs.

When HBCU students take out loans, their colleges are at risk if defaults are too high.

- Cohort default rates at some schools are very high.
- Loan defaults cripple the long-term wealth building trajectory of graduates. This correlates to alumni giving.

If HBCUs are to grow their fee income, outside of tuition, they depend upon accessing capital to build.

- The borrowing vehicle designed to aid HBCUs, the Commerce Capital Access Program (CCAP) does not meet the needs of schools.
- The Higher Education Opportunity Act of 2008 will change school finance.
- HBCUs should organize to weigh in on how the CCAP will be redesigned.

African-American and minority students are more likely to attend college than in the past, but college access continues to lag between lower-income and more well-off students (The College Board, 2008).

- From 1984 to 2004, the number of minority students enrolled in undergraduate institutions increased from 1.9 million to 4.6 million, representing a jump of 146 percent (Li & Carroll, 2007).
- In 1984, just 14 percent of schools had undergraduate enrollments of more than 25 percent minority students. In 2004, that share increased to 32 percent of schools.
- Finances prevent half of low-income students from enrolling in four-year colleges (Advisory Committee on Student Financial Assistance, 2002).

## An Important Contribution

**H**istorically Black Colleges and Universities (HBCUs) play a significant role in expanding educational opportunities for African-American student. That role is not accidental, but an explicit element of their mission. It is part of what them special. While more than three in five black undergraduates attend a school designated by the US Department of Education as a minority-serving institution, the HBCUs foster a special environment. Only a fraction of those minority-serving institutions are HBCUs. Thirteen percent of black undergraduates attend an HBCU. Another ten percent of black undergraduates attend a Hispanic-serving institution (Li & Carroll, 2007).

Raw enrollment counts at HBCUs have increased in the last quarter century. From 1976 to 2004, the number of African-American students enrolled at HBCUs increased about 1.2 percent per year on average. In 2004, HBCUs enrolled 269,208 students, 257,545 of which were African-American (US Department of Education, 2006).

It is not just volume that demonstrates the significance of HBCUs to the mission of realizing the goal of equalizing the opportunity for education within our society. They are often the place where the best and the brightest flourish. Xavier College in Louisiana, for instance, has placed more African-Americans in medical school than any other institution in the country. Of the top ten colleges that graduate African-Americans that ultimately earn PhDs, nine are HBCUs (United Negro College Fund).

African-American students have increased levels of college matriculation in the United States in recent years. The total number of African-Americans enrolled increased by 94 percent between 1984 and 2004 (Li & Carroll, 2007). While the percentage of African-America college students that come from low-income families has declined since 1971, higher concentrations of low-income students are found at HBCUs than at predominantly-white institutions (Allen, 2006).

Income is a significant determinant, both in terms of getting to college, and also in terms of graduating. The Pell Grants, spurred on by the vision of Senator Claiborne Pell, were aimed to bring a remedy to financial inequities in society. More than three decades later, the same challenges remain. Students from low-income families are much less likely to achieve a college education and the opportunities that it affords. The next table shows college outcomes by socio-economic status.

Status	<HS grad	HS grad	Some college	Cert. Or License	Associate	Bachelor's	% entering College	Pct Graduating College
Lowest 25%	11%	15%	35%	3%	8%	29%	75%	39%
Middle 50%	0%	9%	31%	6%	7%	47%	91%	51%
Highest 25%	NA	1%	19%	3%	3%	74%	99%	75%

Source: US Department of Education

The implication is that students from the lowest socio-economic group (bottom 25 percent of income) are imperiled by their finances (Fox, Connolly, & Snyder, 2005). This underscores why financial aid is a significant issue. To the extent that HBCUs are co-incidentally given to reaching some of the same socioeconomic groups, these outcomes provide context to the challenges of their mission. The mission of HBCUs cannot be separated from the issue of financial inequity.

These issues will become more significant outside of HBCUs in coming years. Minority students are growing in their share of seats in our nation’s high schools. In 2004-05, students of color made up about a third of all students graduating from high school. Estimates suggest that minority students will make up half of all high school graduates in the country by 2020-21 (Western Interstate Commission on Higher Education, 2008). North Carolina, where students of color made up only 31 percent of graduates as recently as 1994-95, will see its graduates become majority-minority by 2014-5 (Western Interstate Commission on Higher Education, 2008).

### The Bottom Line Matters

**T**he goal of extending educational opportunity depends upon the availability of credit. Both students and universities often borrow. This paper focuses on the ten HBCUs in North Carolina. Most of the data comes from the most recent year of broad availability, 2005-06. In some cases, the paper will also draw on data from previous years in order to show changes over time.

HBCUs bear a financing risk through two different paths. The first is direct. HBCUs must tap credit markets for their own internal finances. They borrow to build new facilities or to rehabilitate their existing physical plants. In other instances, they must tap credit markets to refinance existing debts. Exposure to capital markets is somewhat unique, though, because the Commerce Capital Access Program has rules that differ from the larger credit market.

Secondly, the institutions are indirectly impacted by how their students finance their educations. Student loans, grants, and other types of financial aid create the demand for HBCU tuition. The supply of loans, grants, and other aid influences the health of HBCU cash flows. Those cash flows certainly influence how HBCUs are received when they enter the debt markets for their own needs. Also, the finances of students at school mark their path after they leave the HBCUs. Debt loads influence not just the wealth building of graduates (home purchases) but also their credit ratings. Debt loads can alter career choices. The financial health of graduates comes back to influence HBCUs because it impacts how those schools are able to tap their alumni for financial support.

To make meaningful comparisons about the differences between HBCUs and predominantly white institutions (PWIs) in the state, this report created a list of 26 other schools in the state. The primary common feature is that these are North Carolina schools whose enrollment is made up by a majority of white and a minority of African-American students. The schools include advanced research institutions as well as ones that do not have doctoral programs. It includes both public and private institutions. All offer four-year undergraduate degrees. The list is in Appendix One.

### **Institutional Inequality in Financial Resources**

**H**BCUs have realized their mission to extend educational opportunity in part by keeping tuition costs low. Even today, the tuition at HBCUs is often well below the price at other comparable North Carolina universities. North Carolina's HBCUs are no different. At the five public North Carolina HBCUs, tuition is still less than \$3,500 per year. At the five private schools, tuition is more (between \$10,000 and \$15,000 per year), but still less than many other schools in the state.

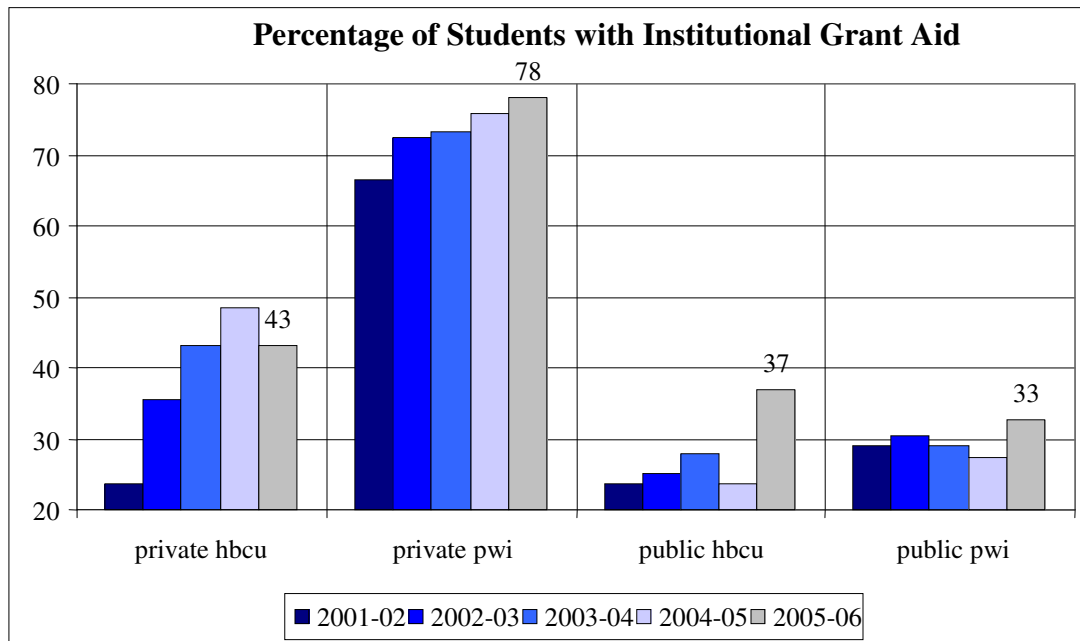
This is a good strategy for achieving access to education across a broad spectrum of incomes. It creates a simple signal, with lower sticker prices. A system with high tuition prices and high rates of aid is more complicated and can scare off some applicants. Nonetheless, the playing field for financial resources is changing. State and federal education budgets are tight. For a variety of reasons, some PWIs are beginning to offer more institutional aid for low-income and minority students.

Institutional grants are an emerging point of differentiation among colleges. Some schools are offering more grants in order to increase their ability to draw the best students. It's a complex pricing

mechanism where tuition goes up, but so do grant awards. The resulting costs mean that schools compete on price. Need is only one factor. Merit is also significant.

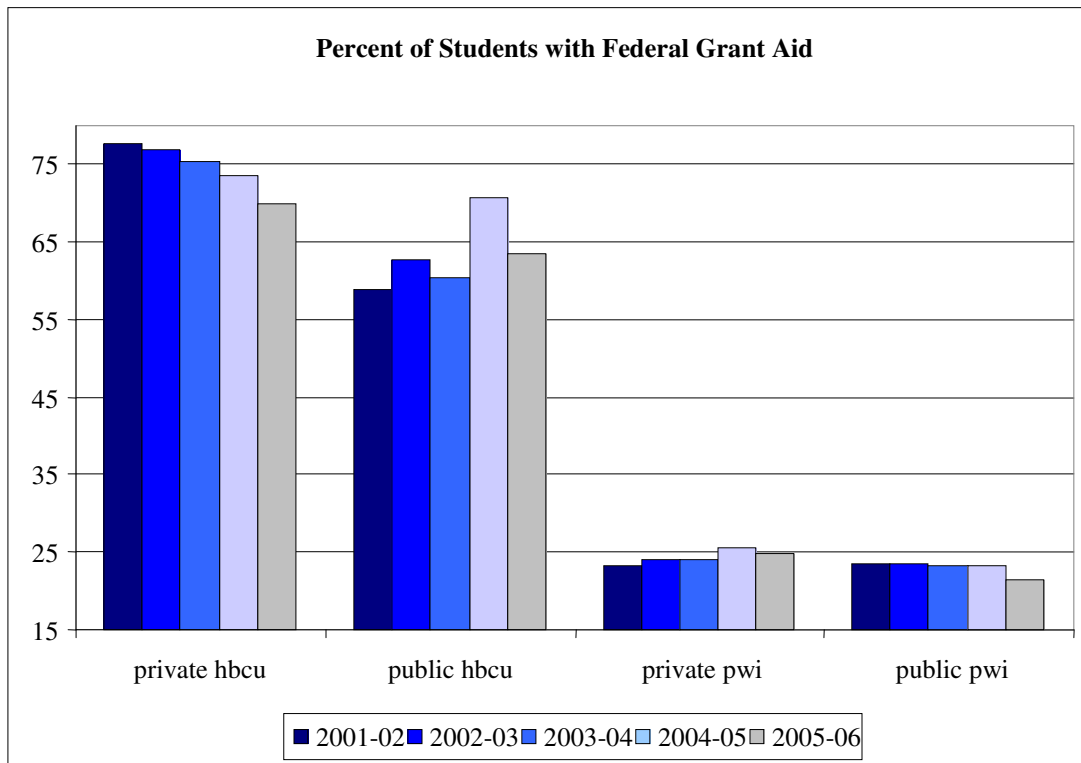
It's a trend where now, a number of universities have announced plans to eliminate the need for students to fund their schooling with loans. In North Carolina, UNC-Chapel Hill's "Carolina Covenant" is the most well known. That program offers to replace debt with grants for students with family incomes below 200 percent of the federal poverty level, provided that students meet several requirements. Duke University also has a practice of offering aid to eliminate student demand for debt. Outside of North Carolina, well-endowed institutions like Harvard, Stanford and Yale have responded with more grant aid at a time when their large endowments provoke legislators to question the ongoing suitability of their tax-exempt status. This is largely limited to wealthy schools, however. At most institutions, increases in the price of tuition have been absorbed by students.

The deviation in grant amounts can already be seen in North Carolina. The state's private PWIs are able to offer institutional grant aid at a rate well beyond that of the state's private HBCUs. The next chart shows the percent of students that received institutional grant aid in the five years leading up to 2005-06 in North Carolina.



The trend is for private PWIs to offer more and more aid from their own resources. By 2005-06, private PWIs offered institutional grant aid to more than three-quarters of their students. Only a little more than 2 in 5 of the students enrolled at a private HBCU received institutional grant aid. Yet, public HBCUs are actually outpacing their public PWI peers by more than 5 percentage points.

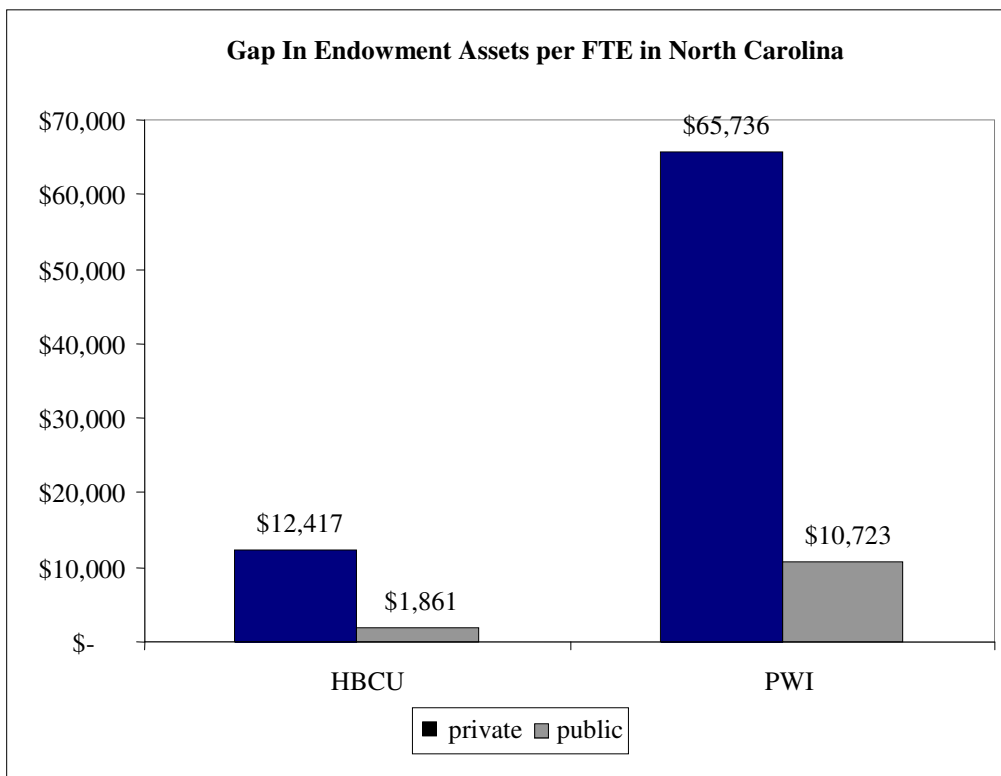
By their mission, HBCUs serve a population with a higher percentage of African-American students. Simultaneously, though, they are also serving a population with fewer economic resources. We see the high rates of Pell Grant use among their students. This is not a trend that has changed much over time, either. The next chart shows the percent of students at HBCUs and PWIs in North Carolina, cross-tabbed by their status as private or public institutions, and the frequency of federal grant aid drawn by their student bodies.



Source: IPEDS, 2001 to 2006. Frequently used variables, student financial aid, percent of first time students getting federal aid.

The use of Pell Grant indicates low-income students.





source: IPEDs, 2005-06. GASB for public institutions, FASB for private institutions.

The ability to counter the costs of tuition begins with an examination of endowments. Not surprisingly, HBCUs consistently underperform other universities in alumni giving. The next table shows the HBCUs that are doing the best at fundraising.

#### Alumni Giving, Fiscal Year 2007

Rank	School	Amount (millions)
1	Morehouse College (Atlanta, GA)	\$34.62
2	Univ. of Texas at El Paso (El Paso, TX)	\$16.73
3	Cuyahoga Community College (Cleveland, OH)	\$9.95
4	North Carolina A & T State University (Greensboro, NC)	\$9.05
5	Morehouse School of Medicine (Atlanta, GA)	\$6.52
6	Meharry Medical College (Nashville, TN)	\$6.45
7	Winston-Salem State University (Winston-Salem, NC)	\$3.86
8	Fisk University (Nashville, TN)	\$3.10
9	North Carolina Central University (Durham, NC)	\$1.88
10	Prairie View A&M University (Prairie View, TX)	\$1.79

Source: Council on Aid for Education

Three of the top ten come from North Carolina.

The next table shows the large gap that exists in North Carolina. In North Carolina, the state's 10 HBCUs reported assets of approximately \$225 million in 2006. That sum sounds like a lot, but it is less than the asset holdings at many single universities in the state. Duke has assets of more than \$6.8 billion, for example. Davidson (\$636 million), Wake Forest (\$742 million) and UNC-Chapel Hill (\$1.68 billion) all exceed the sum of all North Carolina HBCUs by a wide margin (08ww). The net impact is that

institutions charged with serving minority students are doing so with fewer assets, on a per student basis, all things being equal. At Davidson and Duke, students enjoy the benefit of endowments that exceeded \$240,000 per FTE in 2006. Even at public institutions, UNC-CH has \$65,529 per FTE.

The relatively smaller size of endowments interacts with finances of students attending HBCUs. HBCUs can provide institutional grant aid to their students. In 2006, about 43 percent of enrolled undergraduates at North Carolina’s HBCUs received grant aid from their schools. Those schools had to provide grant aid from a small endowment base. The median endowment per full-time-equivalent enrolled student is \$2,183 among the ten North Carolina HBCUs. By contrast, among the 26 non-HBCU four year private not-for-profit or public institutions that offer at least a bachelor’s degree, the median endowment per FTE was \$17,579 in 2006 (US Department of Education, 2006).

Institution	Endowment per FTE
Johnson C. Smith University	\$29,097
Bennett College for Women	\$15,171
Saint Augustine’s College	\$14,509
Winston-Salem State University	\$2,760
Shaw University	\$2,284
North Carolina Central University	\$2,081
Fayetteville State University	\$1,830
North Carolina A & T State University	\$1,441
Elizabeth City State University	\$1,193
Livingstone College	\$1,025

Source: NACUBO

Private institutions have built up larger endowment bases, in general, within the set of 10 North Carolina HBCUs. This is good because they cannot draw from the same public resources that are available to the state’s five public HBCUs.

Splitting the results between public and private institutions is meant to accommodate for the different financial structures within each type of school. The endowment contrast sets the stage for other predicaments. While it influences the ability of these schools to offer institutional grant aid, it doesn’t stop there. It also determines to a large extent their ability to reinvest in their physical plants, in their research facilities, in their revenue-producing residence halls and cafeterias.

Schools also call upon their endowments to build capacity for things that are not just academic, but that produce fee revenue. These include dormitories and cafeterias, as well as programs that combine research with teaching and commerce.

Consistent with their policy of having lower tuition is a subsequent reality that tuition makes up a slightly lower portion of revenues at HBCUs in North Carolina. That difference is most distinct in comparing public HBCUs in North Carolina with public PWIs. While tuition made up 15.8 percent of revenues at public HBCUs, it accounted for 21.6 percent of revenues at public PWIs. The five percentage point difference is made up largely by external public funding. North Carolina’s public HBCUs are able to generate a higher percentage of revenue from government contracts. They also receive more in direct state appropriations.

There are two ways that revenues among private schools differ dramatically when comparing HBCUs with PWIs in North Carolina. First, within private universities, there is the ability to generate revenues from investment returns. North Carolina’s five private HBCUs recorded investment earnings that accounted for 4.8 percent of revenue in 2006. By comparison, private PWIs collected 15.7 percent of their revenues from investment earnings. Secondly, there is the degree to which the schools draw on government contracts. In this category, HBCUs fare well. In 2006, they earned 20.6 percent of revenues from government contracts, compared to the experience of North Carolina’s private PWIs, which earned just 7.5 percent of revenues from government contracts.

**Comparison of revenues, NC HBCUs and PWIs**

	private		public	
	HBCU	PWI	HBCU	PWI
tuition	46.8	48.2	15.8	<b>21.6</b>
state appropriation	0.0	0.0	47.2	<b>44.7</b>
government	20.8	7.5	21.2	<b>14.9</b>
other	5.6	6.6	15.6	<b>19.0</b>
investment	4.8	15.7		
private gifts	22.0	22.0		
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: IPEDs 2006

Fee revenue supplements cash flows from tuition. The next table breaks this down to the level of each HBCU. The table shows the fee revenues from all sources at North Carolina’s ten HBCUs in 2005-06. The sums are presented by full-time equivalent student (FTE).

### Revenues and Expenses (per FTE)

School	Expenses	Revenues	Surplus (Deficit)
Johnson C Smith University	\$ 18,947	\$ 24,160	\$ 5,213
Fayetteville State University	\$ 13,752	\$ 16,625	\$ 2,873
North Carolina Central University	\$ 17,455	\$ 20,171	\$ 2,716
Bennett College	\$ 27,238	\$ 29,823	\$ 2,585
Elizabeth City State University	\$ 19,000	\$ 21,313	\$ 2,313
Winston-Salem State University	\$ 16,133	\$ 18,306	\$ 2,173
North Carolina A & T State University	\$ 15,929	\$ 17,865	\$ 1,936
Livingstone College	\$ 18,159	\$ 18,434	\$ 275
Shaw University	\$ 12,036	\$ 11,094	\$ (942)
Saint Augustine's College	\$ 18,664	\$ 16,128	\$ (2,536)

IPEDS, school year 2005-06

There is not a homogeneous financial picture at the state's HBCUs. Still, it appears that the public HBCU institutions are experiencing better cash flows. While St. Augustine's cash flows were challenged in 2005-06, they still have a relatively better endowment than their HBCU peers in North Carolina. In fact, the deficit at Shaw represents a greater concern within the context of their much smaller endowment.

#### *Available Financing could be better*

The ongoing financial health of HBCUs could influence the reception they get when they seek to borrow money on the debt markets. In fact, for the reasons listed earlier (lower endowments, constraints upon cash flows), the General Accounting Office indicates that many HBCUs face higher borrowing costs, all things being equal, than other colleges and universities.

To reconcile the challenges in the market with the belief that HBCUs perform a valuable public service, government policy has sought to provide financing for these schools. There are two main programs – the Commerce Capital Access Program (the “CCAP”) and the 1890 Facilities Grant Program.

The latter (1890 Facilities Grant) only serves one North Carolina HBCU, North Carolina A&T. The US Department of Agriculture runs the 1890 Facilities Grant Program for land-grant HBCUs created prior to 1890. Nationwide, it serves just 18 institutions able to tap its \$16.9 billion in funds. This program does not generate extensive policy concerns.

The same cannot be said for the CCAP. Since the Higher Education Act of 1965, the US Department of Education has developed a financing vehicle currently known as the Commerce Capital Access Program.

It aims to provide access to capital, with a federal loan guarantee, to HBCUs, which would presumably be forced to seek other debt at less affordable rates. To an extent, its underlying purpose is to increase the fee-creating assets at these schools. That includes things like dormitories, research facilities, and cafeterias.

Administration of the Commerce Capital Access program was awarded by the U.S. Department of Education to Commerce Bank, N.A. of New Jersey. Last year, Commerce was sold to TD North of Toronto, Canada. Commerce gets to charge an origination fee for any loans disbursed. As the Designated Bonding Authority (DBA), Commerce charges a fee of 1.25 percent to originate loans. They are allowed to charge as much as five percentage points on originations (General Accounting Office, 2006).

The program has been, by many accounts, less than a success. The General Accounting Office points out several flaws in the system. Among the problems cited by GAO are the following:

- The use of escrows to insure against default. Borrowers effectively pool the default risk among each other with no consequence to the DBA. Credit enhancement through an outside bonding agency could represent a far more cost-effective solution.
- The lack of communication between the DBA and the borrowers. Some borrowers indicated that it took more than 18 months to make a loan. By these accounts, communication after loans are made is poor.
- The high origination fees, coupled with low servicing fees, produce an incentive structure that rewards high loan sizes and poor service.
- The high collateral requirements.
- The existence of prepayment penalties on fixed rate loans.

The White House Office of Management and Budget has rated the program as “not performing”. The GAO links these problems to the program’s inability to meet its goals of providing credit. Fewer than 20 percent of the 104 qualified schools have ever financed a loan through the HBCU/ Commerce Capital Access Program. From 1996 to 2006, only 26 loan applications were received by the DBA, and only 12 in the years since 2001.

The CCAP program has made 23 loans to 18 institutions for \$681 million. There has been only one default. The program will respond to both new projects and the refinancing of existing debt. Interest rates should be lower for all schools with bond ratings below AAA. Four North Carolina HBCUs (Shaw, Bennett, Barber-Scotia, and Livingstone) have made five loans for a total of \$38.7 million. Since 2001, schools can choose either a variable or fixed interest rate.

Institutions have also voiced their own reasons for dissatisfaction. Some institutions object to the requirement that loans be collateralized with real property. This means that in some cases, the value of collateral pledged against a loan actually exceeds the borrowings. Others question the rule that loans must also be repaid on a monthly basis. They argue that this structure is out of sync with the semester-by-semester income stream of these institutions.

Lastly, many find fault with the CCAP requirement that participating institutions provide escrows for the loans of other participating schools. The need for escrow becomes a problem if any borrowing school defaults on its financing. By the existing rules, borrowers (schools) must put 5 percent of their loan amounts into a pooled escrow account. If one institution defaults on its loans, the CCAP can withdraw funds from the escrow. These are the funds contributed by other participating schools. Unless the defaulting institution cures its debt, those escrow funds will not be returned to the other participating schools.

Several years ago, one institution did default on its loan.

Schools are now reluctant to tap the CCAP money available to them. The program, designed with good intentions, has run adrift. The emerging picture is a situation where HBCUs, including one in North Carolina, appear to shun debt in spite of their need for more capital. North Carolina's HBCUs have been frugal in their use of debt to finance their own expenditures. Some schools have very high equity ratios (measured as assets minus liabilities over assets). In fact, only Davidson College had a lower level of debt utilization than North Carolina A & T or Johnson C. Smith at the end of 2006 (US Department of Education, 2006). Only three HBCUs are highly leveraged: Shaw, Livingstone, and Saint Augustine's. Debt can be a good thing for HBCUs. It can be utilized to develop more revenue opportunities for these institutions. Having a cafeteria or a student store, for example, helps a school to develop other sources

of revenue outside of tuition. The debt can also help with efforts to develop real estate and small business projects on the perimeter of HBCU campuses.

These issues will receive more public scrutiny in 2008. The renewal of the Higher Education Act (the “Higher Education Opportunity Act of 2008”) requires a report on how to improve the HBCUs loan program (the “CCAP”) before the end of the 2008. The report will answer how to improve the flexibility of the loan package and how to increase utilization of the program (GovTrack). The report must address:

- A) the experience of schools that have applied for loans or for refinancing of loans to do construction’
- B) the feasibility of reducing borrowing costs under the program, including reducing interest rates.

HBCU leaders should become involved in this process.

### **How Federal Policy Depends upon Student Loan Repayment**

**T**his paper had indicated that student loans are interrelated to HBCU finances, both directly and indirectly. One of the ways that loan repayment matters for school is through the language in existing law that ties student loan repayment to a school’s ongoing ability to qualify for federal grant aid (Pell Grants) or student loan aid (FFELP, Ford).

Existing policy focuses upon cohort default rates to gauge the credit-worthiness of student loans. It’s a system that forces future students to bear the consequences for their alumni if many default on their loans. When schools have high rates of defaults, all students are shut out of loans. This hints of redlining. Right now, the policy exists in theory but not in practice. This is a situation that could change, especially if the supply of federal FFELP loans continues to dwindle under the lowered interest rate ceilings.

Cohort default rate thresholds, established in 1992 by a reauthorization of the Higher Education Act of 1965 (and subsequently reauthorized several times, including as recently as August 2008), sanction a university if loan default rates among its students exceed 30 percent over a period of three consecutive years (Government Accounting Office, 1993). A school can also lose eligibility if loan default rates exceed 40 percent in any one year.

This law holds the potential to dramatically upset the ongoing viability of any institution. If default rates go above the threshold, the federal government can cease to offer Pell Grants to students at the institution. Also, the federal government can exclude students from participating in both Ford Direct and FFEL loans. The school has to develop a plan for returning to program eligibility.

The effect of these actions would be twofold. First, by eliminating Pell grants, students at a sanctioned school would have a higher demand for loans. Second, since they would not be able to take advantage of either Ford Direct loans or FFELP loans, with their loan subsidies and guarantees, students would be forced to take “second-best” options, such as loans from private loan originators.

The law was put into place when default rates at HBCUs were much higher. In 1987, for example, the default rate among all loans made to students at HBCUs was 27 percent. It was 25 percent as late as 1990 (Government Accounting Office, 1993).

The following table shows the level of defaults at the North Carolina HBCUs for the years 2003 to 2006.

**Cohort Default Rates, North Carolina HBCUs**

Institution	2006	2005	2004	2003
Bennett College	8.8	7.9%	5.4%	2.7
Elizabeth City State	13.6	11.3%	9.3	8.9
Fayetteville State	8.8	11.2%	8.9	8
Johnson C Smith	14.3	10.2%	8	8.1
Livingstone	15.3	19.6%	18.8	10.7
North Carolina A&T State	8.9	10.2%	10.8	9.3
North Carolina Central	9.8	9.2%	7.7	7.4
Saint Augustine’s	16.2	13.0%	14.1	11.8
Shaw	11.2	11.8%	13.5	10.6
Winston-Salem State	5.5	5.0%	6.4	2.7

Source: US Department of Education

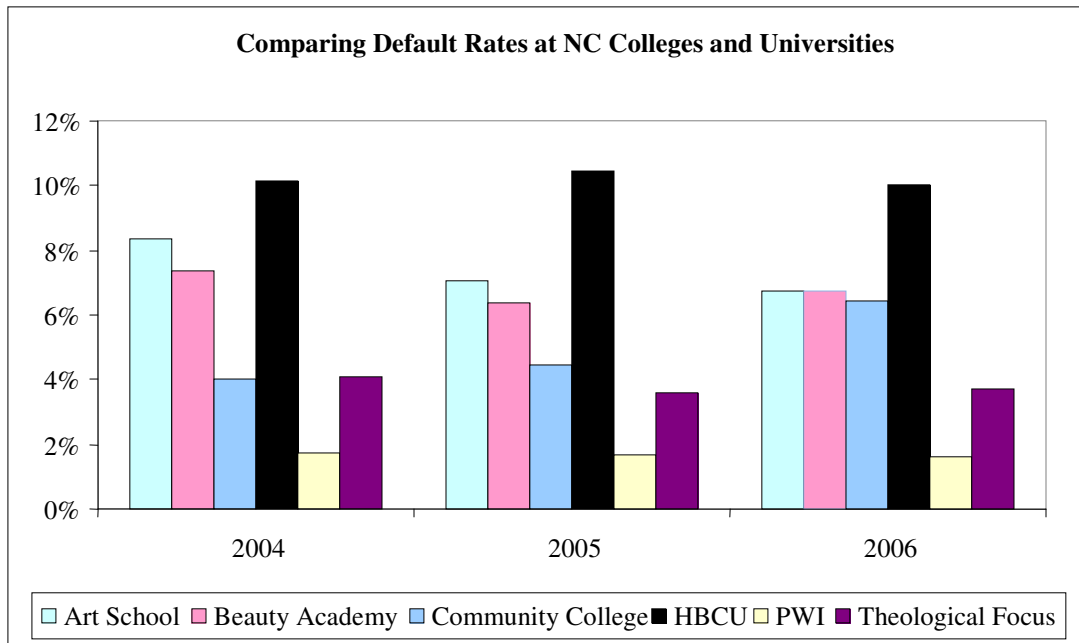
Across North Carolina, 3.44 percent (2,162 of 62,837) and 3.52 percent of loans (1,786 of 50,769) entering repayment in fiscal year 2005 and fiscal year 2004, respectively, were in default within 12 months. This is lower than the national average by about one percentage point.

Moreover, there is a wide variety of loan performance in these schools. The variety should provide potential for successful schools to share their best practices with other HBCUs.



HBCUs cannot ignore the vital significance of maintaining their student loan repayment rates below the thresholds. This is partly out of their own interest to maintain funding streams that support tuition payment. It also bears weight with the future success or failure, on a financial level, of the students who graduate from HBCUs.

The next table compares the cohort default rates by students at different types of institutions in North Carolina. These numbers are averages, created by summing all student defaults and dividing them by all students in the currently defined repayment period, within each category (PWI, HBCU, Theological focus, beauty school, and community college).



Source: US Department of Education Official Cohort Default Rates Guide

It shows that HBCU loan repayment, while not high enough to approach triggering a punitive action by the US Department of Education, still outpaces any other group in the state. In 2006, for example, 1,118 students from HBCUs defaulted on student loans within the initial 2-year repayment period (US Department of Education, 2007).

The students which would bear the greatest burden, in the event that loan defaults rates exceed legitimate thresholds, are the most vulnerable: low-income students. If a school's default rate exceeds limits, then the school is at risk of losing its ability to offer Pell Grants and federal student loans. The

following chart shows the top decile of schools in North Carolina as ranked by the percent of their students who receive Pell Grants.

Institution Name	Pell avg. amount	Recipients	Pct Pell Grants	HBCU?
Livingstone College	\$2,693	785	80	Yes
Elizabeth City State University	\$3,013	1,704	65	Yes
Shaw University	\$2,828	1,941	64	Yes
Johnson C. Smith University	\$2,944	961	64	Yes
Fayetteville State University	\$2,802	3,174	63	Yes
Bladen Community College	\$2,482	1,231	62	No
Roanoke-Chowan CC	\$2,498	799	62	No
Bennett College for Women	\$3,004	358	60	Yes
Heritage Bible College	\$2,516	81	58	No
Halifax Community College	\$2,234	1,082	56	No
Piedmont Baptist College	\$2,440	135	56	No
Winston-Salem State	\$2,969	2,901	56	Yes
Saint Augustine's College	\$3,001	824	55	Yes

Source: Peterson's Economic Diversity. School year 2005-06.

This table shows the schools are most dependent upon the Pell Grant program. But, it also tells us something about the financial traits of the students at these schools. Pell Grant students, by definition, are low-income students. This table tells the same story that has been said earlier: There are more low-income students at HBCUs, all things being equal, than at PWIs in the state. Pell Grants are vitally significant to the mission of HBCUs. More than two-thirds of students at private HBCUs in North Carolina received a Pell grant in 2004-05. Eight of North Carolina's top 13 schools, in terms of the percentage of students who use Pell Grants, are HBCUs. Three of the other 13 are community colleges and the two others are independent religious schools. None of the 26 PWIs used as a point of comparison fall on that list.

A total of 4,746 students at North Carolina A & T drew \$13.3 million in Pell Grants in 2005-06. This represents more dollars than at any other institution in the state. North Carolina Central was fifth, with \$10.4 million, and Fayetteville State and Winston-Salem State drew \$8.9 and \$8.6 million, respectively (US Department of Education, 2007).

The seven programs with the lowest rate of Pell grant utilization would appear to contrast strongly with the earlier table. They are Davidson, Wake Forest, Elon, Duke, Wake Technical Community College, NC State, and UNC Chapel Hill.

The analysis of the meaning contained in cohort default rates in this paper does not account for the question of political will that surrounds the cohort default rate threshold. We can observe the threshold and identify schools that are close to its ceiling. It is only an assumption that a school would actually be forced to bear the consequences. Even in the event of a school triggering the default thresholds, it remains to be seen if the US Department of Education will have the political will to take away Pell Grants and eligibility for federal student loans.

Nonetheless, cohort default rates should be taken seriously. When a student defaults, it leads them down a new and more compromised wealth building path. As mentioned earlier, this compromised path holds harm for both students and for the HBCU itself.

In recent years, the trigger for action against schools with high default rates has been pushed back. Where it was once just 20 percent, the trigger level has been amended to 25 percent and subsequently 30 percent. That level must be recorded for 3 consecutive years, and there must be a minimum volume of lending.

Cohort default rates are themselves calculated through a formula that understates the low performance of student loans. The formula works like this:

**Number of borrowers in denominator who defaulted or met other specified condition during the 2-year cohort default period.**

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**Number of borrowers who enter into repayment during The cohort fiscal year.**

This formula does not describe the percent of all loans still in repayment among alumni that go into default. It is a different calculation. It focuses on repayment at the beginning of a loan's repayment period.

There is some logic to having a formula that is based upon the early years of repayment. If a student is going to default on a loan, then most of the defaults will take place in the early years after repayment begins.

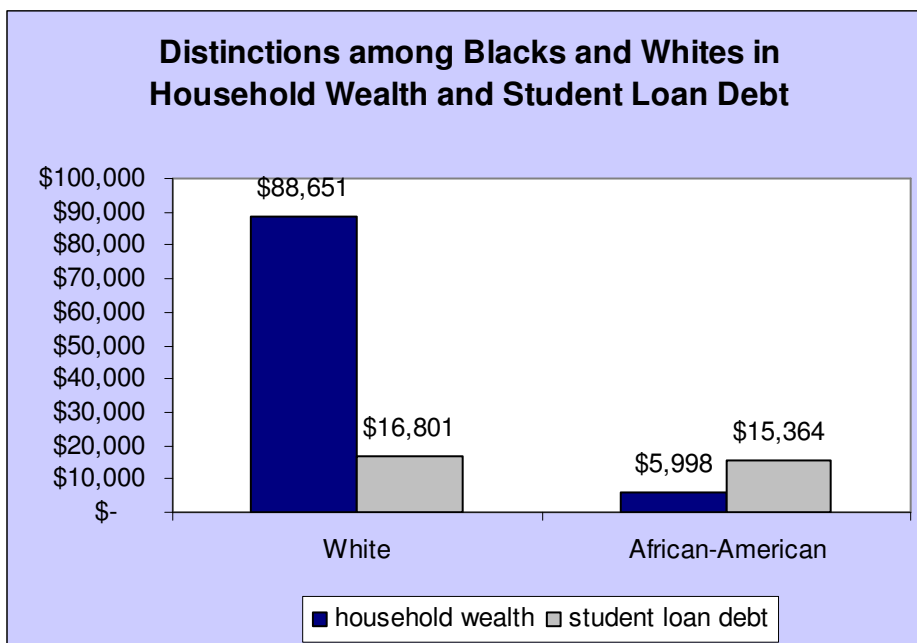
Moreover, research suggests that student loan debt within a year of graduation determines in large part how well graduates will be able to take on future types of debt. The percentage of salary that graduates dedicate to servicing student loan debt strongly correlates with the likelihood of taking on a mortgage or buying a car with an auto loan. Graduates whose debt service was less than 5 percent were more likely than those whose debt service on student loans was above 17 percent to have mortgage, rent or auto payments (Choy & Li, 2005).

*How have debt loads changed over time?*

**D**ebt loads for graduates are increasing, but so are starting salaries. Unfortunately, the rates of increase are not keeping up. Debt loads increased more than 60 percent in the period between 1993 and 2001, while starting salaries only increased 20.5 percent (Choy & Li, 2005). A mitigating factor was the prevailing lower interest rates that reduced debt burdens in 2000 to just 7 percent more than in 1993.

While there is not much of a difference in the amount of debt carried by white and African-American students upon graduation, there are big differences in black and white wealth. This matters when we think about the long-term burden of debt. A 2004 study put the median wealth of African-American households at \$5,998. It found that 32 percent of African-American households had zero or negative

net worth. The same study concluded that median net worth of white households was \$88,651 – a twelvefold difference and a difference that impacts a wide array of events in life (Kochhar, 2004). Fewer African-American borrowers are likely to be able to escape debt through inheritance.



Average debt loads for graduates of North Carolina HBCUs are almost three times the average net worth of the African-American household. The decision to go to college is a risky proposition in this perspective. African-American households are effectively putting a sum equivalent to their median savings in debt in order to achieve a degree.

Beyond that, there is the question of the debt loads taken on by students who have not graduated. Wage income among black and white college graduates is roughly comparable. African-Americans with college degrees earn 95.8 percent of the wages earned by whites, and African-American females with a bachelor’s degree earn about 14 percent more than white females (US Census Bureau, 2006). For college drop-outs, the picture is not as rosy. While they may have had fewer semesters in which to build debt, they lack the enhanced earning power that a college degree confers. African-Americans without a college degree bear an even greater disadvantage. Among those with some college, African-American wages are only 84 percent of equivalent white wage earners (US Census Bureau, 2006).

Graduation rates are a very relevant factor to consider, as well, because they remain a persistent challenge. The next table shows graduation rates for the North Carolina HBCUs for each of the last four years of publicly available data.

**Graduation rates for the North Carolina HBCUs**

Institution Name	2003	2004	2005	2006	Tuition and fees (2005-06)
North Carolina Central University	45	51	45	49	\$ 3,096
Elizabeth City State University	55	46	49	49	\$ 2,494
Winston-Salem State University	50	44	48	44	\$ 2,805
Johnson C Smith University	40	41	36	40	\$ 14,399
North Carolina A & T State University	44	43	40	38	\$ 3,114
Fayetteville State University	37	35	42	37	\$ 2,521
Saint Augustine’s College	45	37	37	33	\$ 11,428
Bennett College for Women	34	37	37	33	\$ 12,664
Livingstone College	38	34	21	26	\$ 12,174
Shaw University	34	31	28	25	\$ 9,438

The average graduation rate among these institutions during this time period is below 40 percent. At both non-HBCU and HBCUs, public universities enjoy a higher graduation rate than do students at private universities. The following table breaks down those graduation rates for schools in 2005-06.

### Graduation rates, 2001-02 to 2005-06, by school type

Institution sector	For all institutions	Not HBCU	HBCU
Private 4-year	46.2	48.2	31.4
Public 2-year	24.4	24.4	n/a
Public 4-year	53.1	57.4	43.4

Source: Peterson's Undergraduate Financial Aid and Undergraduate Databases, via Economic Diversity of Colleges  
*Percent of freshmen who completed a four-year degree within 6 years.*

This shows that the relative strain is even greater at private four-year HBCUs. Many of the public two-year colleges (community colleges) do not have the same implicit timelines for their graduates. Many of the students at these institutions are older and on a different graduation plan in the first place.

Many factors that influence graduation rates are beyond the control of any administrative function within a university. By no means should this paper be interpreted as a kind of judgment about the performance of the HBCUs in realizing their missions.

The presentation of these statistics only aims to provide further context. These numbers show what student loan and aid decisions are being made by students currently attending these schools.

Going forward, HBCUs must link student financial aid decisions within the framework of how they fulfill their missions.

### Loans and Grants Cover Tuition at some Schools, not at All

Institution	Tuition	Pell/ FTE	Stafford/ Tuition	Grants/ Tuition	Coverage
Bennett College	\$11,824	\$1,963	39.3%	24.9%	64.2%
Elizabeth City State	\$4,120	\$2,162	66.3%	93.0%	159.3%
Fayetteville State	\$3,241	\$2,114	94.6%	66.8%	160.8%
Johnson C Smith	\$13,177	\$2,124	38.6%	23.2%	61.8%
Livingstone	\$13,037	\$2,534	44.3%	30.1%	74.4%
North Carolina A&T State	\$5,263	\$1,536	62.5%	51.9%	114.4%
North Carolina Central	\$4,877	\$1,956	99.8%	70.0%	169.8%
Saint Augustine's	\$9,882	\$2,190	44.5%	35.4%	79.9%
Shaw University	\$8,724	\$2,250	54.4%	45.9%	100.3%
Winston-Salem State	\$2,786	\$1,914	145.7%	91.7%	237.4%

### Going Forward: Debt after leaving HBCUs

The levels of debt carried by HBCU graduates are not very different from those of their counterparts at other four-year institutions in North Carolina. In fact, among the schools that reported the debt of their graduates, HBCU students had less debt at both private and public four year schools.

### North Carolina students: debt upon graduation

Sector	Non-HBCU	HBCU
Private	\$17,052	<b>\$17,018</b>
<b>Public</b>	<b>\$16,145</b>	<b>\$13,159</b>

2004-5, Peterson's Economic Diversity

White debts are almost the same, the ability to bear these loads is different. In the context of African-American wealth, these sums need to be interpreted differently and with more caution.

Students at private colleges graduate with more debt. Not every school publishes debt load for graduates. The next table is ranked by the percent of graduates exiting school with debt. It also shows the average debt load among graduates, when that figure is available.

### North Carolina Colleges and Universities with high rates of debt among graduates

Institution Name	Average debt of graduates	% graduates with debt	HBCU	Percent Non-White
North Carolina Wesleyan	Not given	100	No	53
Bennett	\$15,531	100	Yes	100
Shaw University	\$15,982	96	Yes	98
Lenoir-Rhyne	\$24,397	91	No	12
Johnson C Smith	\$25,000	90	Yes	100
Mars Hill College	\$9,518	87	No	16
Fayetteville State	\$9,225	86	Yes	85
Peace College	Not given	86	No	23
Chowan College	\$23,370	80	No	44
Winston-Salem State	\$10,200	80	Yes	86
Methodist College	\$26,640	79	No	31
Catawba College	\$18,133	79	No	19
Roanoke Bible	\$19,486	79	No	7
Barton College	\$22,809	78	No	27
High Point University	\$15,000	76	No	29
North Carolina A & T	\$20,052	75	Yes	95
Campbell University	\$21,703	75	No	25
Montreat College	\$17,682	73	No	35
UNC-Pembroke	\$16,296	72	No	52
Pfeiffer University	\$17,350	71	No	27

Source: IPEDs, school year 2005-06. Only includes student loan debt.

These are substantial sums. A \$15,000 debt, financed with FFELP loans, would require about \$175 per month in payments for 10 years. In the example of Johnson C. Smith, where debt loads are larger than normal, the average student payment would be \$288. Both calculations assume that borrowers do not

qualify for and do not elect to take an Income-Based Repayment (IBR) Plan. In the event that such a choice is made, the payment sums would be lower.

A high debt load can become a problem. Default rates go up when students have more debt. Among all types of students who did not attend graduate school, default rates were greater than 20 percent when students had more than \$10,000 in debt, but only slightly more than 7 percent for those borrowers who took on less than \$10,000 in debt (Choy, Li, & Carroll, *Dealing with Debt: 1992-3 Bachelor's Degree Recipients 10 Years Later*, 2006).

## **PART II: How Can Schools, Governments, and Others Improve the Situation?**

**T**his is an unusual time to evaluate policy responses. The situation facing HBCUs, outlined in the previous sections, are a product of education policy in the last decade. The data considered concludes after 2006.

Everything could change with the passage of the College Cost Reduction and Access Act and the Higher Education Opportunity Act. The full impact of these bills is not yet clear, but they have the ability to touch on most of the issues of concern in this paper. They will bring more funds to students. They will introduce transparency into the financing of student loans and school financing. They change the supply and demand forces in student lending.

This means that right now, there is some logic in waiting. Short of adopting an entirely passive response, though, there are some actions that stakeholders can follow. The next section will consider some of those options.

### **Options for Universities**

#### *Participate in the Dialogue about the Commerce Capital Access Program*

**T**he U.S. Department of Education's committee to improve the CCAP will make its report at the end of this calendar year. It is vitally important that schools weigh in on how this financing program can be improved.

*Increase infrastructure to generate alumni contributions.* Several national foundations see the important work that HBCUs do to create equity in opportunity for schooling in this country. They are looking at the fundraising capacity at HBCUs. They have targeted improvements in alumni support at



these institutions. The Kresge Foundation, the Archibald Bush Foundation, the Pew Charitable Trust, and the Lilly Foundation have all funded efforts to build fund raising capacity (Gasman, Sedgwick, Baez, Tudico, Drezner, & Schmid, 2007).

At North Carolina's HBCUs, fundraising is doing fairly well. Indeed, in 2006, private gifts constituted an equivalent share of revenues at HBCUs as they did with the comparison group of PWIs (22 percent.) (US Department of Education, 2006).

*Action: End partnerships with credit card companies.* Universities invite credit card companies to solicit applications from students. The 300 largest universities earn \$1 billion in sponsorship fees every year from this practice (Manning, 2000). HBCUs have been a part of this, in some cases signing contracts with controversial lenders such as CompuCredit (Dunn & Bradstreet, 2004) or with more mainstream firms (Allstate, State Farm, Bank of America) to initiate sales opportunities to students.

*Less ideal alternative: Do not participate in subsidized student loan programs.* Have financial aid begin with Pell Grants and then jump to the private market. The reason to choose this path would be to eliminate the chance that loan defaults increase to a level where a school's access to Pell Grants is compromised.

This is a problematic choice. Yet it is becoming more prevalent. Already, about 10 percent of community colleges do not participate in federal loan programs. They tend to be schools that serve those most in need – schools with high rates of low-income, minority, or rural students (Inside Higher Education, 2008). It should not be surprising that North Carolina has one of the biggest problems in the country in this regard, where approximately 47 percent of students at our community colleges are systematically denied access to Federal loan programs (Cochrane & Shireman, 2008). At HBCUs, though, tuition is usually higher than at community colleges. Tuition is much higher at the 5 private HBCUs, and more of the students at HBCUs go full-time.

It is not an outlandish choice and it may be a choice forced upon some students. With the passage of the College Cost Reduction Act, participants in the FFELP program have interest rate caps. Interest rates on student loans are going down. Supply of loans could shrink.

*Decision: Historically Black Graduate Institutions (HBGIs)*

A Senate legislative effort, characterized as bi-partisan, would pave the way for additional layers of federal funding for HBCUs with graduate programs. The bill is sponsored by North Carolina's Richard Burr, along with Sen. Barbara Mikulski (D-MD) and Mitch McConnell (R-KY). Opposition for this bill comes from the organizations that oversee the HBCUs, who feel that it would lead to too divisive competition among HBCU schools. Some schools are already on the list, including NC Central and North Carolina A&T. The legislative question focuses on the issue of expanding the list. Danny Davis (D-IL) is among those who assert that adding to the list will only diminish the ability of HBGI schools to utilize those resources for their master's degree programs.

Student aid should not be utilized solely to expand access to college. It should also be utilized to make sure that students are able to graduate from college.

HBCUs have more students with non-traditional backgrounds. More are older and more are single parents. These are some of the reasons to provide more programming to keep students in school.

Program options could include:

- Hosting job club events
- Using graduates as mentors for current students
- Providing more services for parents. Provide them on weekday evenings as well as on weekends.
- Developing programming that gives students a sense of belonging at school.
- Using monetary incentives to encourage completion of school.

Some major elements of the 2008 Higher Education Act are yet to be given a legislative interpretation. Nonetheless, these elements could have a dramatic impact upon the consumer protections and product mix of loans made available to students. One of the important questions, now relevant, is the issue of what it means for how regulators should judge private loans in their Community Reinvestment Act assessments. Section 1031 of the 2008 Higher Education Act Renewal says that the Community Reinvestment Act is amended to include a requirement that within one year of the bill's passage (August 2008), each Federal financial supervisory agency should issue a final rule about how private student loan companies can be affirmed for providing low-cost education loans. (Sec. 1031, (A) (D) (B).) See Appendix Four. As well, the same act applies the Truth in Lending Act to private loans.

## Options for State Governments

### *Alternative: more need-based grants*

The state of North Carolina has been generous, by some accounts, in helping students at HBCUs to finance the cost of going to college. The average percentage of students at an HBCU in North Carolina who get aid from the state is slightly higher (46 percent) than the average percentage of students at a four year college in the 26 institution peer group (40 percent). On the other hand, the latter group has a slightly higher average amount of grant aid awarded (\$2,974, compared to \$2,501).

There will be more incentives for states to provide grants, owing to the passage of the renewal of the Higher Education Act. The LEAP (once known as State Student Incentive Grants) provides formula grants for to states to give need-based grants to students. The LEAP revolves around work-study and community service-study programs. They are not limited exclusively to HBCUs, but given the rates of Pell Grant-eligible students attending HBCUs, they present a relevant source for enhancing grants.

### *Universal Children's Savings Accounts*

In recent years, asset policy leaders have sought universal children's savings accounts at birth. In this system, federal or state funds are deposited into an account created for each child. The accounts can be matched. Some propose to link the accounts with 529 plans, to provide tax protections for gains in account holdings (Lopez-Fernandini, Cramer, & O'Brien, 2008). Not only would such a plan introduce savings, it would also limit the number of under-banked and unbanked people.

### *Early Commitment Programs*

Operated by states (Indiana, Georgia, et al.), these programs attempt to overcome the main hurdles to college application – cost and access. The programs ask middle schoolers to pledge to achieve measurable goals (minimum GPA, no arrests for drug use, et al) in exchange for a seat in a public university, with financial aid.

### *Alternative: More Merit-Based Financial Aid*

The state of Georgia, through its HOPE Education Program, has increased the number of college freshman matriculating at its state institutions. It is funded through Georgia's lottery. The program provides merit-based financial aid. Yet it is hardly a narrowly targeted intervention. The program serves

all high school students, independent of race or of need. In a study of matriculation in the 90s, HOPE increased matriculation by 5.9 percent (Cromwell, Mustard, & Sridhar, 2006).

Nonetheless, there are some concerns with approaches that rely on merit-based financial aid. These systems sometimes experience unintended consequences, where education aid ends up going to families that are able to attend school without support (Singell & Stone, 2002).

#### *How to Improve Federal Policy*

- Make sure that state sources of financial aid do not contribute to federal formulas that would ultimately disqualify low-income students from qualifying for Federal grant programs, including Pell Grants.
- Use data from IRS returns to enhance the ease and accuracy of FAFSA applications. Reducing the number of questions on the FAFSA would increase the number of students who tap federal loans (Asher, 2007). This would lead to fewer students using second-best sources, including private loans.
- A second step would be to allow the IRS to release tax data directly to the US Department of Education. Then, when tax filers submit their adjusted gross income and their relevant tax data (dependents in college), the IRS can develop a more direct means for alerting families about the availability of federal loans or Pell Grants.
- *Base allocation of Pell grants on adjusted gross income.* Do away with formulas based upon percent of poverty, sensitized to state median family incomes. The current process is well-intentioned, but somewhat opaque. People are not familiar with the dollar amount that constitutes 150 percent of the poverty level for a given family size (Mundel, 2008). Certainly, some fail to apply as a result. This is an efficiency solution to enhance program effectiveness.
- To make Pell Grants more dependable as a source of college funding over the full four years, make the adjusted gross income basis factored on the prior three years of income.
- Instead of subsidizing interest on loans while students are in school, encourage students to pay interest down.
- In lieu of during college interest subsidies, fund interest payments for students that pursue work in targeted careers such as teaching, nursing, legal aid, or non-profit work.

## Conclusion

Some good things can come out of this problem. The College Cost and Reduction and Access Act of 2007 (“CCRAA”) has changed the playing field. It increases the maximum size of Pell Grants from \$4800 per year to \$6000 per year beginning in 2009. That sum will increase by \$400 per year through 2014 (when it will be \$8,000). Those Pell Grant limits were increased again in the 2009 Stimulus Bill, too.

The Higher Education Act also creates a system for greater transparency. Institutions will be required to publish their graduation rates. Those reports will be cross tabbed with the race/ethnicity of students, reception of a Pell Grant, and federal student aid (American Association of Community Colleges, 2008).

The renewal of the Higher Education Opportunity Act, passed in August 2008, includes some new features that will help HBCUs. The Higher Education Opportunity Act will also provide grants (Section 318) to schools with more than 40 percent African-American enrollment. Another program offers grants to provide incentives for the creation of master’s degree programs at HBCUs in math, science, engineering, information science and allied nursing fields. Up to \$11.5 million is available to a school for this kind of endeavor.

**Appendix One**

North Carolina Predominantly White Institutions (PWIs).

<b>College</b>	<b>City/Town</b>
University of North Carolina at Asheville	<b>Asheville</b>
University of North Carolina at Chapel Hill	<b>Chapel Hill</b>
University of North Carolina at Charlotte	<b>Charlotte</b>
University of North Carolina at Greensboro	<b>Greensboro</b>
University of North Carolina at Pembroke	<b>Pembroke</b>
University of North Carolina-Wilmington	<b>Wilmington</b>
Western Carolina University	<b>Cullowhee</b>
North Carolina State University	<b>Raleigh</b>
Catawba College	<b>Salisbury</b>
Guilford College	<b>Greensboro</b>
Meredith College	<b>Raleigh</b>
Peace College	<b>Raleigh</b>
Appalachian State University	<b>Boone</b>
Brevard College	<b>Brevard</b>
Campbell University Inc	<b>Buies Creek</b>
Davidson College	<b>Davidson</b>
Duke University	<b>Durham</b>
East Carolina University	<b>Greenville</b>
Elon University	<b>Elon</b>
Gardner-Webb University	<b>Boiling Springs</b>
Pfeiffer University	<b>Misenheimer</b>
Salem College	<b>Winston Salem</b>
Wake Forest University	<b>Winston Salem</b>
Greensboro College	<b>Greensboro</b>
Queens University of Charlotte	<b>Charlotte</b>
Warren Wilson College	<b>Swannanoa</b>

**Appendix Two: Endowments, 2007 and 2006, among North Carolina Universities and Colleges**

School	2007 (\$000s)	2006 (\$000s)	Change
Duke	\$ 5,910,280	\$ 4,497,718	31.4%
UNC-Chapel Hill	\$ 2,164,444	\$ 1,638,601	32.1%
Wake Forest	\$ 1,248,695	\$ 1,042,558	19.8%
Davidson	\$ 489,461	\$ 421,672	16.1%
UNC-Greensboro	\$ 183,751	\$ 155,642	18.1%
North Carolina State	\$ 535,003	\$ 412,298	29.8%
UNC-Charlotte	\$ 147,174	\$ 105,306	39.8%
East Carolina	\$ 90,425	\$ 79,002	14.5%
Meredith	\$ 85,587	\$ 73,004	17.2%
Peace College	\$ 52,269	\$ 45,393	15.1%
Queens University	\$ 65,272	\$ 48,719	34.0%
Elon	\$ 78,526	\$ 65,042	20.7%
Guilford	\$ 75,491	\$ 64,842	16.4%
Appalachian State	\$ 62,245	\$ 53,123	17.2%
Salem	\$ 60,842	\$ 50,907	19.5%
Lenoir-Rhyne	\$ 58,887	\$ 51,470	14.4%
Johnson C. Smith	\$ 53,129	\$ 44,193	20.2%
UNC-Wilmington	\$ 50,794	\$ 42,807	18.7%
High Point	\$ 47,114	\$ 48,011	-1.9%
Warren Wilson	\$ 38,438	\$ 34,970	9.9%
Shaw University	\$ 34,691	\$ 36,946	-6.1%
Western Carolina	\$ 32,700	\$ 28,504	14.7%
NC School of the Arts	\$ 28,527	\$ 26,515	7.6%
Bennett College for Women	\$ 23,277	\$ 21,158	10.0%
Saint Augustine's College	\$ 22,972	\$ 22,720	1.1%
UNC-Asheville	\$ 22,720	\$ 18,769	21.1%
Lees-McRae	\$ 22,325	\$ 20,490	9.0%
Central Piedmont Community College	\$ 22,159	\$ 17,635	25.7%
Livingstone College	\$ 22,060	\$ 21,585	2.2%
Winston-Salem State	\$ 21,759	\$ 18,265	19.1%
Fayetteville State University	\$ 11,350	\$ 10,015	13.3%
North Carolina Central Foundation	\$ 10,084	\$ 9,473	6.4%
North Carolina A&T	\$ 7,708	\$ 7,291	5.7%
Elizabeth City State University Foundation	\$ 6,132	\$ 3,612	69.8%
Fayetteville State Foundation	\$ 3,086	\$ 3,609	-14.5%
TOTAL	\$ 141,016,030	\$ 135,002,592	4.5%

Source: National Association of College and University Business Officers (NACUBO)

### Appendix Three: Leading Investors in Private Student Lenders

First Marblehead			Sallie Mae			College Education Corp.		
Owner Name	Shares 000s	Value \$000s	Owner Name	Shares 000s	Value \$000s	Owner Name	Shares 000s	Value \$000s
GOLDMAN SACHS	5,859	7,027	BARROW HANLEY	46,871	407,306	BLUM CAPITAL	17,002	378,132
SECURITY INVESTORS	4,943	5,932	DODGE & COX	45,886	398,747	FMR	10,486	233,244
BARCLAYS GLOBAL	3,177	3,813	OPPENHEIMER	35,498	308,476	MORGAN STANLEY	10,440	232,191
MAVERICK CAPITAL	2,347	2,816	BARCLAYS	22,531	195,798	JENNISON ASSOC.	10,438	232,138
VANGUARD GROUP	2,260	2,712	STATE STREET	19,585	170,190	RS INVEST	8,567	190,528
PRESCOTT GROUP	2,169	2,603	PRICE T ROWE	18,281	158,863	PRICE T ROWE	3,877	86,214
DAVIS SELECTED	1,729	2,074	FMR LLC	18,080	157,118	BARCLAYS	3,814	84,819
AQR CAPITAL	1,596	1,915	JENNISON ASS.	16,986	147,605	COLUMBIA WANGER	3,160	70,278
D. E. SHAW	1,435	1,722	VANGUARD	14,644	127,254	PUTNAM INV	3,141	69,865
QUAKER CAPITAL	1,407	1,688	HIGHFIELDS	14,131	122,800	VANGUARD GROUP	2,989	66,473
AMERIPRISE	1,278	1,533	GOLDMAN SACHS	11,712	101,775	LEGG MASON	2,922	64,979
STATE STREET	1,253	1,503	BRANDES INV.	11,342	98,561	STATE STREET	1,880	41,816
CHICKASAW CAPITAL	866	1,039	JANUS CAP	10,683	92,834	STERLING CAPITAL	980	21,791
ARROWSTREET	601	721	COOPERMAN LEON	9,940	86,376	MERRILL LYNCH	937	20,841
NORTHERN TRUST	561	673	INVESCO	9,126	79,307	ROBECO INV	783	17,412
TIAA CREF	417	500	ETON PARK	8,323	72,323	BANK OF NEW YORK	763	16,972
SUSQUEHANNA	405	486	PAMET CAPITAL	7,888	68,550	THRIVENT FINANCIAL	745	16,569
OPPENHEIMER	388	465	ROBECO INV	6,528	56,725	OPPENHEIMER	727	16,165
KOVITZ INVESTMENT	363	436	EAGLE CAPITAL	6,298	54,733	ROTHSCHILD ASSET	668	14,855
JACOBS LEVY EQUITY	362	435	RBS PARTNERS	6,018	52,297	TURNER INVESTMENT	654	14,544
ALEX BROWN	307	368	CHESAPEAKE PART.	4,791	41,635	NORTHERN TRUST	589	13,097
LSV ASSET	294	353	NORTHERN TRUST	4,610	40,063	RENAISSANCE	510	11,346
BANK OF NEW YORK	252	303	J P MORGAN CHASE	4,159	36,144	HSBC	495	11,009
MORGAN STANLEY	238	286	DG CAPITAL	3,990	34,677	KORNITZER CAPITAL	492	10,942
CITIGROUP	217	261	BK OF NEW YORK	3,855	33,502	TIAA CREF	464	10,329
LEHMAN BROTHERS	191	229	GAMCO INVESTORS,	3,721	32,342	D. E. SHAW & CO.	459	10,216
NORGES BANK	174	209	LEGG MASON	3,718	32,317	ANALYTIC INVESTORS	420	9,342
MCGLINN CAPITAL	167	200	CAPITAL RESEARCH	3,663	31,831	DIMENSIONAL FUND	417	9,273
CALPERS	159	191	DEUTSCHE BANK	3,078	26,750	NORGES BANK	415	9,235
DIMENSIONAL FUND	144	173	COLUMBUS HILL.	3,070	26,682	DUPONT CAPITAL	356	7,909
DIAMONDBACK CAP	134	161	BRIDGER MNGMT	3,000	26,070	GOLDMAN SACHS	351	7,815
TWO SIGMA INV	127	152	D. E. SHAW	2,918	25,358	DELTA PARTNERS	331	7,372
BLACKROCK	121	145	ARTISAN PARTNERS	2,859	24,845	KEYBANK	299	6,642
LEGAL & GENERAL	108	129	ING GROEP	2,706	23,517	ING GROEP	285	6,338
J P MORGAN CHASE	104	125	VICIS CAPITAL	2,698	23,443	MACQUARIE	280	6,218
PUBLIC EMPLOYEES	94	112	PENNANT CAPITAL	2,651	23,040	AQR CAPITAL	279	6,203
BLACK HORSE CAP	89	107	ALLIANZ GLOBAL	2,540	22,076	NEW YORK STATE	275	6,111
RHUMBLINE ADV	85	103	TIAA CREF	2,399	20,848	F&C ASSET	270	5,999
LOS ANGELES CAPITAL	84	101	CITIGROUP	2,386	20,734	LOS ANGELES	267	5,938
GEODE CAPITAL	82	98	FRANKLIN	2,315	20,116	NEW YORK STATE	256	5,697
PUBLIC EMPLOYEES RET...	81	97	GEODE CAPITAL	2,096	18,218	LEE MUNDER	255	5,667
M&T BANK	73	88	NORGES BANK	1,914	16,632	CALPERS	246	5,464
PORTER ORLIN	73	87	CREDIT SUISSE	1,750	15,211	BANK OF AMERICA	245	5,438
UBS AG	64	76	LEGAL & GENERAL	1,708	14,841	PUBLIC EMPLOYEES	220	4,902
AIG	63	75	NEW YORK STATE	1,616	14,047	STATE BOARD O	217	4,822

Source: NASDAQ



## Appendix Four: New Legislation in Detail

HR 4137, Sec. 1031

### SEC. 1031. COMMUNITY REINVESTMENT ACT CREDIT FOR LOW-COST LOANS.

(a) IN GENERAL.—Section 804 of the Community Reinvestment Act of 1977 (12 U.S.C. 2903) is amended by adding at the end the following new subsection:

“(d) LOW-COST EDUCATION LOANS.—In assessing and taking into account, under subsection (a), the record of a financial institution, the appropriate Federal financial supervisory agency shall consider, as a factor, low-cost education loans provided by the financial institution to low-income borrowers.”.

(b) REGULATIONS REQUIRED.—Not later than 1 year after the date of enactment of this Act, each appropriate Federal financial supervisory agency shall issue rules in final form to implement H. R. 4137—412 section 804(d) of the Community Reinvestment Act of 1977, as added by this section.

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***Attaining the Dream:  
How Financial  
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**North Carolina  
Legislative Black Caucus Foundation  
2009 Education Scholarship Weekend  
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