As the Horatio Alger Association approaches its 70th anniversary in 2017, this is a good opportunity to reflect and recommit to its central mission and message: hard work, honesty, and determination can overcome adversity. For more than 30 years, Association members and friends have demonstrated a commitment to that vision by funding need-based college scholarships that support deserving young people as they endeavor to overcome adversity and pursue their dreams through higher education. This commitment is important because while Horatio Alger Scholars have received more than $100 million in financial aid since 1984 and have gone on to achieve a six-year graduation rate well above the national average (76% for Horatio Alger National Scholars compared to 26% for all low-income students), they, along with the rest of America’s youth, still face a national economic crisis – mounting student loan debt.

The American Dream has long been defined by a generation’s ability – through hard work and perseverance – to build upon and exceed the personal, academic, and financial successes of their parents. For the first time in American history, the current generation of college graduates is faring much worse than the generations that preceded it. According to Business Insider, the average inflation-adjusted wealth in 2010 was 7 percent below similarly aged individuals in 1983; moreover, adults under 30 are worth only about half as much as their parents were at the same age (Woodruff). The effect of rising student loan debt, both across the economy and on the individual, compounded by the Great Recession has reduced the ability of young adults to achieve where previous generations have succeeded.

Despite these restrictions on personal wealth and growth, the demand for higher education is increasing. A college graduate can expect to earn $12,000 more per year than an individual without a college degree; this number is approximately three times larger than it was in 1980. Furthermore, much of the nation’s labor need is in high-skill, high-knowledge arenas that require or prefer four-year degrees (Stiglitz). The need for higher education is not in question, but there are serious and significant concerns with college costs, debt, and the ability of our most vulnerable populations to achieve the American Dream.
Having more than tripled in the past decade, student loan debt makes up 6 percent (approximately $1.2 trillion) of the nation’s nearly $17 trillion federal debt. Unfortunately, the root causes of the increase in student debt cannot be ascribed to a simple increase in the cost of college tuition. While there has been a dramatic increase in tuition and fees since 2002, the net increase (the increase a student must pay after financial aid is applied) is only 13 percent. Neither increased enrollment nor increased cost of attendance can account for the substantial increase in student debt. This means that American families are paying a greater portion of a student’s financial obligations through borrowing (Greenstone, 3). In 2013, Michael Greenstone and Adam Looney of The Hamilton Project published a paper called Rising Student Debt Burdens: Factors Behind the Phenomenon. They suggested that there were several possibilities meriting further study when attempting to account for the increase in borrowing:

- The Great Recession: families have fewer options available to them due to reduced income and assets.
- Reduced credit options: it may be more difficult for families to secure alternative lines of credit (the authors reference personal loans and second mortgages as examples).
- Increased for-profit enrollment: students who enroll at for-profit institutions tend to rely more heavily on borrowing and financing.
- Increased low- and middle-income enrollment: as student bodies become more financially diverse, they may lack options available to higher income families.

Whatever the cause, the effects are clear. As the total level of student debt grows, it consumes more and more of a student’s total household income.

This burden is not equally distributed among all income levels. Low-income households earning less than $21,044 spend nearly one-fifth of their earnings on student loan debt. For households making above $97,586 that number falls to less than one-tenth, and for households earning more than $146,791 that number is less than one-fiftieth of total household income. Coupled with an average student loan debt totaling well above $25,000 (Denhart), many low-income adults experience reduced purchasing power, reduced access to credit, and significantly delay traditional personal advancements (Edmiston B, Stiglitz). Lauren Asher, president of the Institute for College Access and Success (TICAS), credits mounting student loan debt with a delay in young adult savings, home purchases, family starts, and small business starts (Denhart). Moreover, low-income families often lack access to the financial and personal coping mechanisms available to middle and upper-income families. These include:

- Tuition Payment Plans: families with the means can work out a payment plan with their student’s academic institution.
- Federal Parent Direct PLUS loans: parents with a strong credit history and a demonstrated need can elect to cover the cost of attendance with a federal loan. These loans – traditionally – lack the repayment options available to students directly.
- Co-signing: parents who are either unwilling or unable to meet the requirements for a Parent PLUS loan may be able to co-sign a private student loan for their student.
- Returning home: young adults move in with their parents upon graduation with the expectation that they will receive continued emotional and financial support.

With family income too low to afford tuition payments or qualify for additional credit, low-income students must often carry the debt themselves and find that their families are unable to provide the continued financial and emotional support upon graduation available to their peers.

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from middle and upper-income families. This debt greatly compromises social and economic mobility while simultaneously obstructing their pursuit of the American Dream.

Broad and significant reform is necessary if we wish to preserve and enhance the financial well-being of traditionally underserved, low-income communities. Many educational reformers and policy makers are analyzing the rise in student debt. The Institute for College Access and Success’s (TICAS) white paper offers a number of suggestions, including:

• Reduce the complexity of the current federal student loan application and repayment programs.
• Borrowers should expect a low interest rate while in school, to encourage completion, and have a clear understanding of the terms of repayment. The number of repayment plans can be reduced from the current three – with varying eligibility terms – to one income-based repayment plan that scales with the borrowers financial success.
• Provide better information to students with key information when they need it. Many students and their families are overwhelmed by the college admission and funding process, and struggle to find the information they need to make informed financial decisions. College financial aid award letters vary a great deal in format and content; all colleges should move to a standard format that makes it easy for applicants to understand and compare offers. Students should have access to tools to compare the likely aid and costs at specific universities.

These are just a few examples of the numerous and significant recommendations made by TICAS. Readers interested in learning more about TICAS recommendations are encouraged to read the full report. But we can go further. Regardless of these broad policy measures, the truth is that for a majority of American families the real cost of a college education will continue to rise. This in turn will lead to greater engagement with debt and lenders. The Horatio Alger Association is committed to providing the resources and support necessary to position its Scholars for success.

**THE ASSOCIATION’S RESPONSE**

Never before has the necessity for higher education been so apparent and yet so burdensome. As young, low-income adults struggle to access and succeed in higher education and the labor market, the Horatio Alger Association and its members have been at the forefront, providing the tools necessary for industrious young men and women to elevate themselves above their adversity. Since 1984 the Association has provided financial support to nearly 20,000 students and is currently one of the largest privately funded providers of need-based scholarships in the United States. Horatio Alger Scholars not only demonstrate a capacity to persevere and the determination to succeed; they also demonstrate a critical need for financial support. The average household income for all 2014 Scholars totaled $15,536, and the average household size was three. This places our students well below the 2014 U.S. Department of Health and Human Services poverty guidelines for a family of that size ($19,790).

The Horatio Alger Association is currently in the midst of a capital campaign, with a goal of achieving $250 million in its endowment fund. The purpose of raising these funds is to endow scholarships in perpetuity to assist those who have overcome adversity and have the ambition to earn a college degree, but cannot afford it. When we reach our $250 million goal, the National Scholarship will then be valued at $25,000 and the State Scholarship will be worth $10,000, an increase of 25 percent and 100 percent respectively. By doubling the scholarship amount awarded to State scholars, we can dramatically reduce the burden of borrowing on thousands of Scholars across the country, and – as has been evidenced – this reduction in borrowing represents more than a Scholar’s ability to attend the institution of his or her choosing. Supporting a Horatio Alger Scholar doesn’t just decrease that student’s cost of attendance; it improves his or her economic mobility for decades to come.
Additionally, the Horatio Alger Association is continuing to expand the network of colleges and universities that participate in its Collegiate Partners Program. Established in 1994, more than 225 academic institutions have joined the Horatio Alger Association’s Collegiate Partners Program. Member institutions share in the Association’s mission and have provided an additional $12 million in various forms of aid to Horatio Alger Scholars. Many Collegiate Partners have agreed to match the Horatio Alger scholarship dollar for dollar, further reducing the financial burden on our Scholars. We encourage all Members and friends to contact their alma mater to encourage their participation in the Collegiate Partners Program. There are no membership fees or dues and neither party may discontinue the agreement at any time. The Collegiate Partners Program is one way for schools interested in assisting low-income students to effectively combat the student debt crisis.

Recognizing that success does not come solely from financial support, Horatio Alger Scholars also have access to a diverse range of supports that meet them where they are, financially and emotionally, in order to help them persist and attain their degree in a timely manner.

• **College Readiness Tools:** students have the opportunity to participate in physical and virtual workshops that will help them with everything from school selection (public vs private) to study skills.
• **Financial Aid and Scholarship Counseling:** students have access to staff who will assist with understanding financial aid award offers.
• **Support and Referral Services:** students have 24/7 access to a special counseling hotline to help them navigate sudden emotional, personal, or financial obstacles.
• **Campus Crest Housing:** students attending a Campus Crest partner school are able to apply for free housing while attending school.
• **Mentoring Services:** students can log in to an Internet exchange to connect with Horatio Alger Alumni who have agreed to provide advice and guidance to current Scholars.

This is but a sampling of the opportunities and supports made available to Horatio Alger Scholars through the generosity of our Members and Friends of Distinction. We continue to believe that Horatio Alger Scholars are the best argument for the continued availability and viability of the American Dream. When given the opportunity to succeed, our Scholars demonstrate that the central tenant of our Association is as true today as it was in 1947. With your support we can continue to inspire and support individual Americans as they strive to reach their highest potential, thereby elevating both themselves and American society as a whole.

**WORKS REFERENCED**


