

# Council for Christian Colleges & Universities

## Tough Times Call for Strategic (Financial Aid) Measures

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SCANNELL & KURZ, INC.

*Guided by data, driven by service*

# Overview

- The Changing Environment
- 12 Elements of an Effective Aid Strategy
- Conclusion

## The Changing Environment

- During the fall 2010 recruitment cycle and again in fall 2011, a number of trends have emerged or accelerated:
  - Students are applying to more schools.
  - The number of students applying for aid has increased.
  - Attending a community college for the first two years has become more socially and educationally acceptable; in some cases it's an economic imperative.

## The Changing Environment

- Families believe it is most appropriate to appeal their first aid offer.
- Many state aid programs are being reduced or eliminated.
- Many institutions experienced “late-breaking” deposits, right up to and after May 1<sup>st</sup>.
- Significant additions/changes in Title IV regulatory requirements, particularly in consumer information and program integrity.

## The Changing Environment

- Many small institutions saw their discount rates increase without corresponding increases in enrollment.
  - Increased need
  - Reduction in state grant programs
  - Reaction to competitor financial aid strategies

## Average Tuition Discounting Rates: First-time, Full-time Freshmen

Institution Type	Number of Respondents	2000	2005	2006	2007	2008	2009	2010*
Compr/Doctoral	49	33.2%	31.8%	33.8%	34.3%	37.4%	36.1%	36.6%
Research	29	32.0%	34.9%	33.7%	33.8%	37.4%	38.9%	38.7%
Small Institutions	303	39.0%	39.3%	40.2%	40.7%	40.5%	42.8%	43.7%
Total	381	37.3%	38.0%	38.8%	39.3%	39.9%	41.6%	42.4%

\*Preliminary Estimate

Source: 2010 NACUBO Tuition Discounting Survey

# The Changing Environment

- Institutions are struggling to understand how to adjust their aid policies to meet the “new normal.”
  - Some are responding much more generously to appeals.
  - Others are abandoning expensive policies:
    - Elimination of merit aid (Hamilton)
    - Need-blind admission (Reed)
    - No or reduced loan policies (Williams, Dartmouth)
  - Others are strengthening their value and outcomes messages or reducing time to degree (but those can't usually happen overnight).
  - And some are even lowering price. (Sewanee, Univ. of Charleston, Cabrini College, Seton Hall [sort of])

# The Changing Environment

- How is the way your families are paying for college changing?
  - Family contributions
  - Federal grants
  - State grants
  - Need-based loans
  - Student work
  - Alternative loans
  - Payment plans

## Sample Comparison Chart

<b>Fall of:</b>	<b>2008</b>	<b>2011</b>
Family contributions/private loans	\$5,255	\$6,030
Federal grants	\$1,179	\$2,074
State grants	\$2,103	\$1,558
Institutional grant	\$9,739	\$10,066
Need-based loans	\$2,294	\$2,562
Student work	\$1,350	\$1,650
Tuition & Fees	\$21,920	\$23,940

## The Changing Environment

- As you discuss your institution's response to the "new normal," here are twelve critical elements to keep in mind.

# Element #1: The New Transparency

- Guaranteed Merit Awards
- Entitlements
- How schools are dealing with the net price calculator

## Element #2: Watch out for “Stacking”

- One downside of being transparent
- Often largest awards (number and dollars) go to those with a natural connection to the institution
- Timing is important
- Be sure to capitalize on federal/state grants in your packaging policies
- Micro-target programs are important

## Element #3: Use Data, Not Anecdote

- Keeping an “ear to the ground” plays a role, but that should not be the foundation of your awarding strategies.
- Using analytical approaches to understanding student responses to your aid offers is where your strategy needs to begin.
  - Table analysis
  - Predictive modeling
  - Simulation tools

# Sample Yield Table

Tuition = \$15,000

	>\$6000						
	\$4000-\$6000					25/100	25%
Gift Aid	\$2000-\$4000					16/80	20%
	\$1-\$2000					8/40	20%
	\$0						
		\$0	\$1-\$2k	\$2k-\$4k	\$4k-\$6k	\$6k-\$8k	> \$8k
					Need		

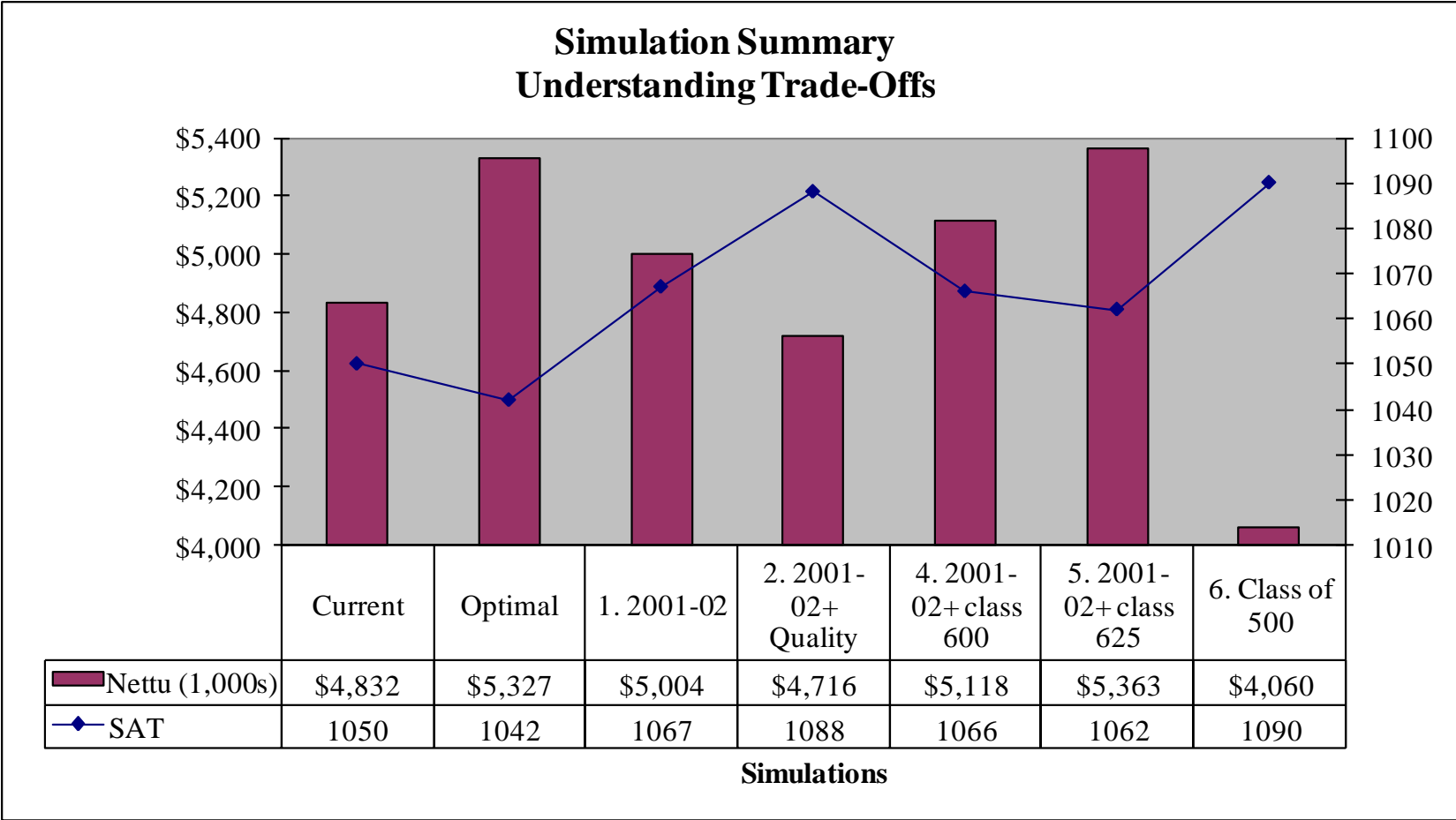
# Cost Benefit Analysis

- Current NTR:
  - $8 * \$14,000$
  - $16 * \$12,000$
  - $25 * \$10,000 = 49$  enrolled -  $\$554,000$
- Projected NTR
  - $20\% * 220 = 44$
  - $44 * \$14,000 = \$616,000$
- Projected Gain in NTR =  $\$62,000$

# Net Tuition Revenue (NTR) by Subpopulations

<b>Minority Status</b>	<b>Avg. NTR</b>	<b>N</b>
Yes	\$ 16,765	82
No	\$ 14,422	483
<b>Residence</b>		
In-State	\$ 15,615	384
Target out-of-state	\$ 12,421	64
Other out-of-state	\$ 13,243	117
<b>ACT Composite</b>		
< 19	\$ 19,295	22
19-21	\$ 17,755	92
22-25	\$ 15,298	214
26-27	\$ 14,012	89
28-29	\$ 13,490	48
30-31	\$ 11,791	71
32+	\$ 9,037	27

# Sample Econometric Modeling and Simulations



## Element #4:

### Focus on NTR, not just class size or the aid budget

- Keeps admissions and financial aid on the same page
- More (# or \$) is not always better
  - Depends on capacity
  - Depends on price elasticity
- Helps with realistic budget planning

## **Element #5: Be transfer friendly**

- Usually have lower discount rates and higher yield rates, but still need to know that you are affordable
- Less demand on service courses and support services
- Growing market—need to be prepared to serve them effectively

## Element #6:

### **Train admissions staff on affordability and ensure good handoffs to financial aid**

- Admissions staff should be able to talk to families about affordability early in the process and explain the basics of the award letter after it is sent
  - Guaranteed merit awards help a lot!
- Set clear expectations for when the handoff should occur
- Know the protocols
  - Who should get the call?
  - Take a message or put the call through?
  - When can the family expect to hear?

## **Element #7: Have a plan for handling appeals or changes in state support**

- Types of appeals:
  - “PJ”
  - “Matching”
  - “Can’t afford”
- Importance of tracking reports
- Timing of decision
- Account for the costs in the aid budget

# Element #7: Appeals Analysis

**Fall 2011**

	<u>APPROVED</u>	<u>DENIED</u>	<u>TOTAL</u>
# of appeals	108	62	170
# enrolled	67	43	110
yield	62.0%	69.4%	64.7%

**Fall 2010**

	<u>APPROVED</u>	<u>DENIED</u>	<u>TOTAL</u>
# of appeals	117	64	181
# enrolled	76	43	119
yield	65.0%	67.2%	65.7%

**Fall 2009**

	<u>APPROVED</u>	<u>DENIED</u>	<u>TOTAL</u>
# of appeals	102	63	165
# enrolled	68	42	110
yield	66.7%	66.7%	66.7%

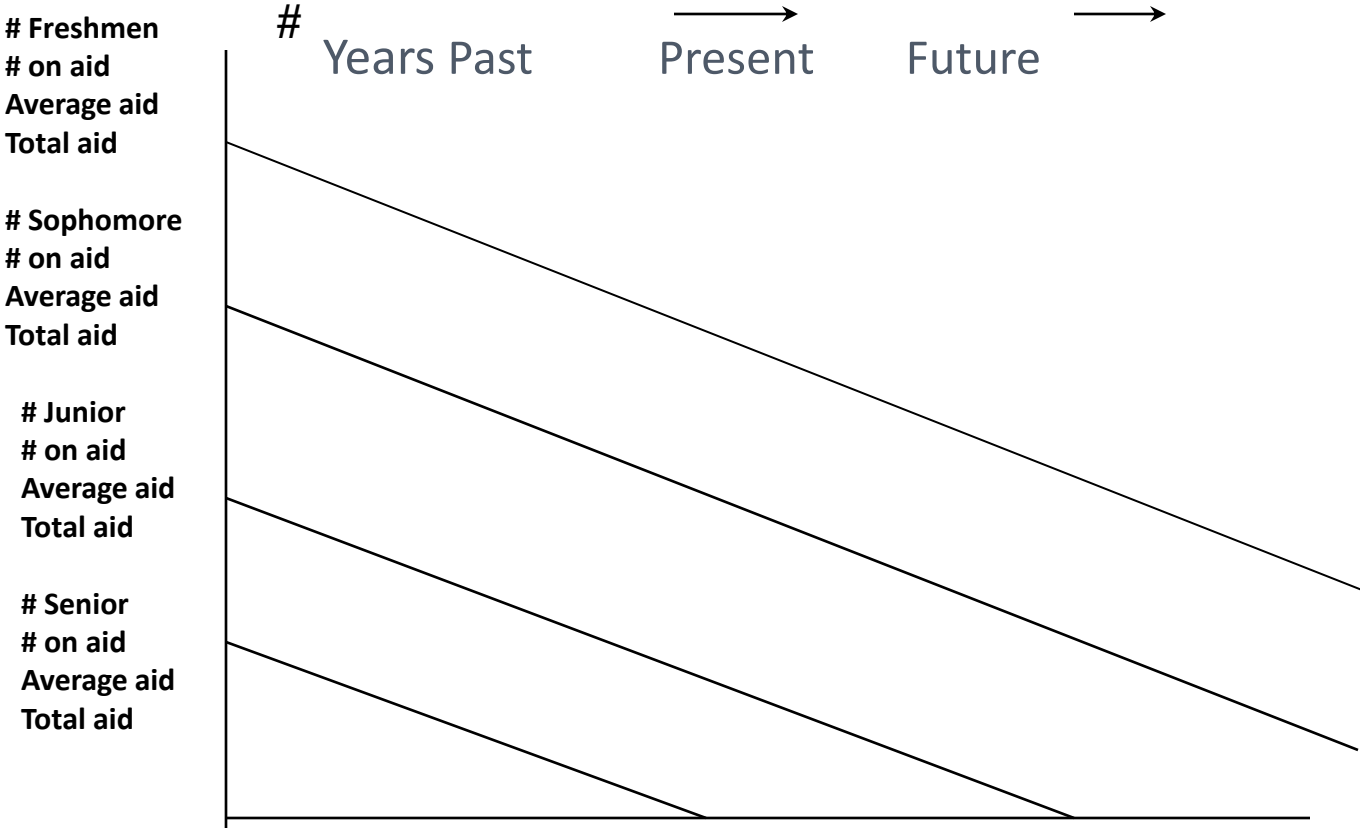
## **Element #8: Become comfortable with conversations about financing**

- Tighter credit
- Parent loan vs. Unsubsidized Stafford vs. Private Loans vs. payment plan vs. home equity line of credit
- Preferred lender lists or not

## Element #9: Pay attention to renewal policies

- GPA requirements for merit renewal
- Impact of unmet need on retention
- Role of campus employment
- Responding to appeals from returning students
  - Financial aid and student accounts need to work hand in hand.
- Limit institutional aid to number of semester required to complete degree (i.e. 8 semester for a 4 year program)

# Element #10: Build a trend-based financial aid budget model



**Assumptions:**  
EFC, % on aid, % retained, change in average award, etc.

## Element #11: Know what your competition is doing

- Identifying your competition
  - SAT/ACT overlap
  - ASQ results
  - National Student Clearinghouse
- Benchmark on sticker price, discount rate, and prestige indicators—current and trends
- Use the web to learn more (the other downside of transparency)

## Sample Benchmarking

College/University	Tuition & Fees 2011-2012	Discount Rate 2009-2010	Fall 2010 Accept Rate	Fall 2010 SAT 25-75%	U.S. News Ranking 2011 (America's Best Colleges)
College A	\$18,095	35.0%	69%	1020-1200	Liberal Arts Bach. 3rd tier
College B	\$22,790	50.4%	79%	1060-1250	Liberal Arts Bach. 2nd tier
College C	\$24,945	29.5%	35%	1104-1284	Liberal Arts Bach. 2nd tier
College D	\$27,400	39.3%	89%	1010-1220	Liberal Arts Bach. 3rd tier
University E	\$28,190	54.6%	61%	1040-1240	Liberal Arts Bach. 2nd tier
College F	\$28,900	28.7%	61%	1100-1290	Liberal Arts Bach. 2nd tier
College G	\$28,928	25.6%	69%	1130-1320	Liberal Arts Bach. (38)
College H	\$30,000	33.6%	35%	1200-1370	Liberal Arts Bach. (18)

Sources: College/University websites, IPEDS, and *USNews & World Report*.

## **Element #12: Ensure financial aid office procedures support enrollment goals**

- Provide estimated packages prior to verification for new students
- Eliminate institutional aid applications
- Provide aid offers to incoming students ASAP
- Provide online self-service functions
- Don't verify 100% of returning students
- Show all pending aid on bill
- FA and Student Accounts should work together on past due accounts

# Questions?

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