

NACUBO Annual Meeting 2011

Financial Aid in the 'New Normal'

Mary Piccioli , Enrollment Management Consultant, Scannell & Kurz, Inc.
Sam Veeder, Director of Financial Aid, Nazareth College
July 11, 2011



SCANNELL & KURZ, INC.

CHARTING
NEW COURSES



Overview

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

The Changing Environment

- During the fall 2010 recruitment cycle and again this year, 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 1st.
- 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)

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

Fall of:	2008	2010
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
 - $20\% * 220 = 44$
 - $44 * \$14,000 = \$616,000$

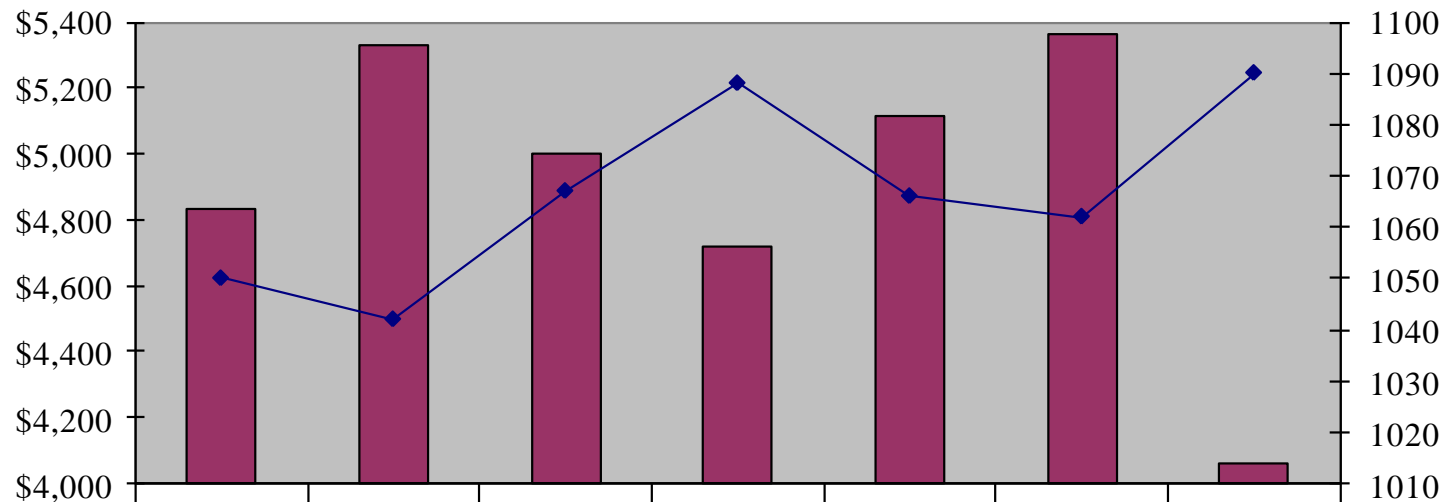
- Projected Gain in NTR = $\$62,000$

Net Tuition Revenue (NTR) by Subpopulations

Minority Status			Ave. NTR	N
Yes			\$ 16,765	82
No			\$ 14,422	483
Residence				
In-State			\$ 15,615	384
Target out-of-state			\$ 12,421	64
Other out-of-state			\$ 13,243	117
ACT Composite				
< 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

**Simulation Summary
Understanding Trade-Offs**



	Current	Optimal	1. 2001-02	2. 2001-02+ Quality	4. 2001-02+ class 600	5. 2001-02+ class 625	6. Class of 500
■ Nettu (1,000s)	\$4,832	\$5,327	\$5,004	\$4,716	\$5,118	\$5,363	\$4,060
◆ SAT	1050	1042	1067	1088	1066	1062	1090

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%

When State Aid Is Lowered

CHARTING
NEW COURSES



Ariel Bond/The Michigan Daily

University of Michigan and Michigan State students protested cuts to Michigan's state aid program on the steps of the Michigan State Capitol in July 2009.

Element #8: Become comfortable with conversations about financing

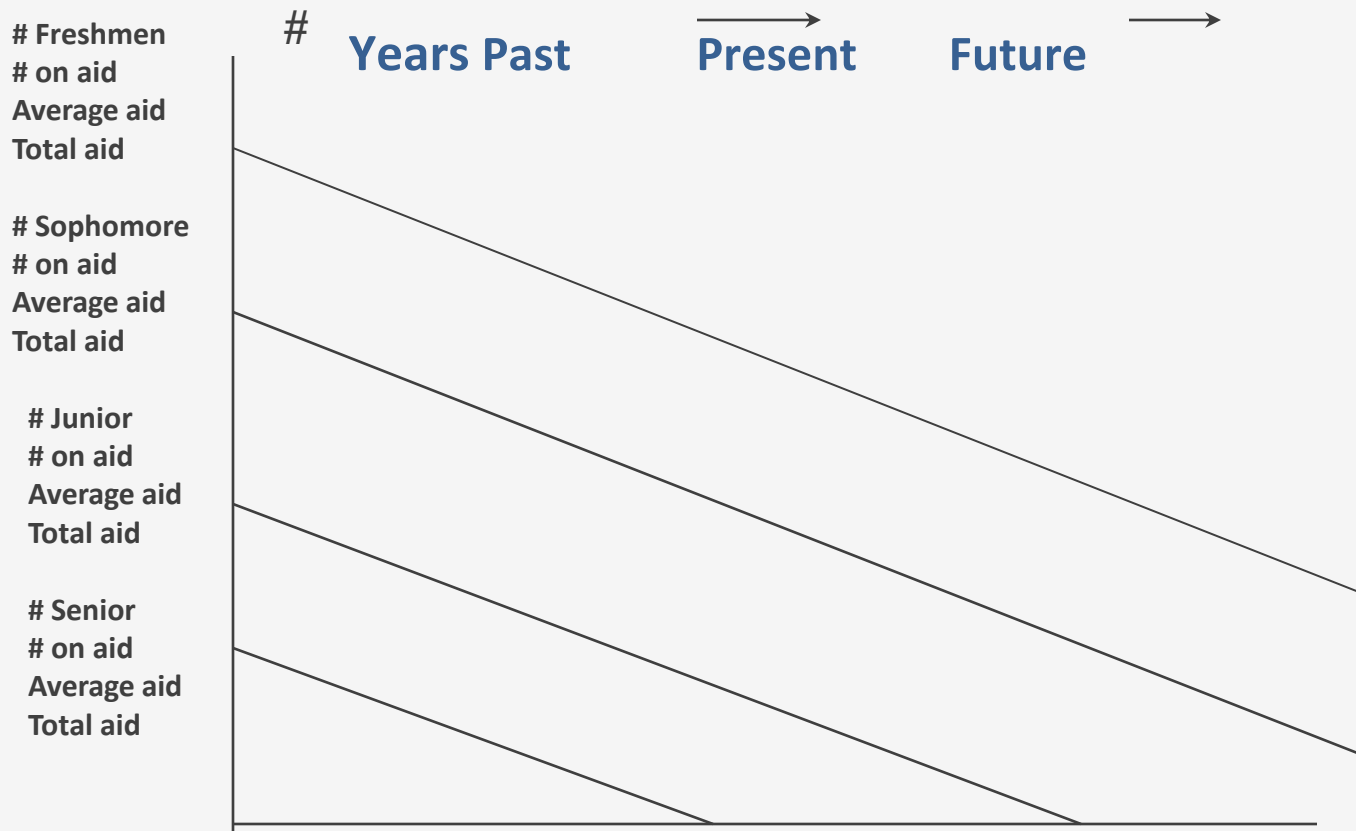
- Tighter credit
- Parent loan vs. Unsubsidized Stafford vs. Private Loans vs. payment plan vs. home equity line of credit
- Impact of new regulations regarding preferred lender lists

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 2009-2010	Discount Rate 2007-2008	Fall 2008 Accept Rate	Fall 2008 SAT 25-75%	U.S. News Ranking 2010 (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 and students accounts 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?

Mary Piccioli
Scannell & Kurz, Inc.
71-B Monroe Avenue
Pittsford, NY 14534
(585) 381-1120

piccioli@scannellkurz.com
www.scannellkurz.com

Sam Veeder
Nazareth College
4245 East Ave.
Rochester, NY 14618
(585) 389-2310

sveeder0@naz.edu
www.naz.edu